

Montezuma Mining Company Limited

ABN 46 119 711 929

Annual Report

for the year ended 30 June 2017

Corporate Information

ABN 46 119 711 929

Directors

Seamus Cornelius (Non-Executive Chairman)
Justin Brown (Executive Director)
John Ribbons (Non-Executive Director)

Company Secretary

John Ribbons

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WEST PERTH WA 6005

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Stock Exchange Listing

Montezuma Mining Company Limited shares (Code: MZM) are listed on the Australian Securities Exchange.

Contents

Letter from the Chairman	3
Review of Operations	4
Directors' Report	29
Audit Independence Letter	35
Corporate Governance Statement	36
Consolidated Statement of Comprehensive Income	37
Consolidated Statement of Financial Position	38
Consolidated Statement of Changes in Equity	39
Consolidated Statement of Cash Flows	40
Notes to the Consolidated Financial Statements	41
Directors' Declaration	58
Independent Audit Report	59
ASX Additional Information	62

Letter from the Chairman

Dear Fellow Shareholders,

The 2016/2017 financial year has been eventful for our Company. A large amount of work has been completed and significant progress made on a number of key projects in multiple commodities during the year. In particular, the executive and technical team lead by our Executive Director, Justin Brown, has completed high quality work to advance the Company's Butcherbird Manganese Project towards potential development.

The board and management have recognised an opportunity to enter the high purity manganese market to produce a product for use in the manufacturing of Li-Ion battery cathodes. We believe that although lithium and cobalt rightfully get market attention due to the battery revolution that is potentially transformative in terms of the demand for key metals, manganese, which is used in similar quantities in these technologies is an opportunity that the market has overlooked so far. I believe, however, that the market will soon realise this discrepancy and Montezuma is very well placed when it does.

The innovative hydrometallurgical test programme, which has been underway since March of this year, has yielded positive results and there is a chance that the Project will be ready for feasibility studies to commence once this work has been completed.

It is worth noting that this work has been supported by a Commonwealth Government grant co-funding arrangement, through the Innovations Connections Programme and has been overseen by the Process Science and Technology Group at the Commonwealth Scientific and Industrial Research Organisation (CSIRO). The Company's technical team has appreciated the opportunity to work closely with such an experienced and competent team on this project.

If we are successful with this work, given the project hosts Australia's largest onshore manganese resource, this will potentially provide the platform for a genuine long-term business opportunity which would hopefully transform the Company.

In addition to the exciting progress at Butcherbird, a number of other interesting programmes have identified large tonnages of high grade cobalt along with drill ready nickel sulphide targets at the Pinnacles Project, and the priority gold targets at the Holleton Project where, although progress was somewhat delayed during the access agreement negotiation process, everything is now in place to get on with the planned work.

In future years, I believe we will view 2017 as a transformative year for the development of Montezuma. As a shareholder, I am very excited about the future and the Company's potential and look forward to the journey ahead.

In closing, I would like to take this opportunity to thank all shareholders for their ongoing support as we work towards building shareholder value.

Yours sincerely



Seamus Cornelius
Chairman

Review of Operations

Exploration

The strategy through the recent multi-year industry downturn of acquiring assets through tenement applications has placed the Company in a strong position as commodity markets show signs of recovery.

In addition to a renewed focus on developing Australia's largest onshore manganese resource at the Company's 100% owned Butcherbird Project, the project portfolio has also been strengthened with exposure to extensive high grade cobalt mineralisation at the Pinnacles project, lithium exploration at Lake Johnston, as well as drill-ready gold exploration targets at Holleton, and nickel sulphide targets at Pinnacles and Green Dam.

Work during the year included significant advancements in the process flowsheet design for processing the Butcherbird manganese ores to produce high-purity manganese for sale into the battery cathode manufacturing supply chain.

In addition, a number of exploration programmes were completed with particular focus on the Holleton, Pinnacles, and Lake Johnston Projects, where the highest priority targets have been identified. Target generation work is also currently being undertaken at the Green Dam Project where significant gold potential has been identified proximal to the recent discoveries at the Bombora and Rebecca Projects held by Breaker Resources Ltd and Apollo Consolidated Limited respectively.

The Company continues to actively target tenement acquisition opportunities within Western Australia and selected low risk overseas jurisdictions where compelling geology and early mover advantage presents potential favourable opportunities.



Figure 1. Project Location Map

Review of Operations continued

1.1. Butcherbird (MZM 100%)

The Butcherbird Project straddles the Great Northern Highway approximately 120km south of Newman. The land is open with sparse vegetative cover, giving good access to all areas of the license. The goldfields gas pipeline is located immediately adjacent to the project.

Manganese hosting bedrock at Butcherbird occurs as a regionally extensive, gently folded, low grade basal laminated shale unit which grades between 4% Mn and 6% Mn. Although this formation is very extensive, the low grades and fine grained nature of the manganese in fresh bedrock suggests that this unit is unlikely to be commercially useful using conventional processing techniques.



In the near surface weathering profile, however, the manganese mineralisation has a strong supergene overprint resulting in partitioning of the manganese into high grade bands within a clay waste matrix. This partitioning during weathering has resulted in very extensive zones of manganese delineated over multiple deposits that appear amendable to mining and beneficiation through conventional processing methods.

The mineralisation defined to date occurs in eight zones with a total Inferred Mineral Resource of 174 million tonnes at 10.86% Mn (appendix 1). Mineralisation is open along strike and at depth.

The strong recent recovery in manganese prices has allowed increased resources to be allocated to the Butcherbird Project and to this end the Company has received two Commonwealth Government co-funding grants with a total value of \$100,000 in order to fund the development of a hydrometallurgical process flowsheet in conjunction with the Commonwealth Scientific and Industrial Research Organisation (“CSIRO”) Process Science and Technology Group.

The first Phase of work was primarily focused on the hydrometallurgical leach of manganese from the Butcherbird ores as a first step in the production of high purity manganese.

Review of Operations continued

The test results exceeded expectations with the final leaching results producing a Pregnant Leach Solution (“PLS”) with **>91% purity** and **>95% Mn extraction** in a rapid single stage leach under benign conditions;

- atmospheric pressure and ambient temperature.
- leaching rates unaffected by grind size up to 1mm. Coarser particle size tests pending.
- leach kinetics are very rapid with optimal residence times between thirty and sixty minutes.
- reaction is exothermic, producing heat energy for use in purification processing stage - no additional energy required.

The Company has initiated Stage II investigations focused on potential purification options for the PLS and subsequent production of end products for marketing and commercial studies.

Figure 2. Assay of typical PLS sample (500 µm, 40% pulp density, controlled pH ~1.2).

Time (min)	Concentration (mg/L)									
	Mn	Fe	K	Al	Ni	Co	Cu	Zn	Cd	Cr
0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5	74646	1560	3517	1629	33	58	27	45	<0.2	8
15	117866	2455	5103	2431	60	90	41	65	<0.2	11
30	136891	2898	5911	2732	86	101	41	82	<0.4	12

Time (min)	Concentration (mg/L)									
	Na	Mg	Li	Pb	As	Ba	Mo	Se	Ca	
0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5	664	286	6	7	5	1	<0.2	17	673	
15	964	379	13	10	5	<0.2	<0.2	22	458	
30	1099	394	18	10	7	<0.2	<0.4	27	949	

Figure 3. Assay of typical PLS sample (500 µm, 40% pulp density, no pH control).

Time (min)	Concentration (mg/L)									
	Mn	Fe	K	Al	Ni	Co	Cu	Zn	Cd	Cr
0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5	55039	499	2690	482	21	43	11	33	<0.2	3
15	77064	1077	3859	1107	33	64	22	47	<0.2	4
30	112202	1819	5556	2062	33	55	22	42	<0.2	6
60	139705	2385	5990	2473	61	103	38	81	<0.4	8

Time (min)	Concentration (mg/L)									
	Na	Mg	Li	Pb	As	Ba	Mo	Se	Ca	
0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5	501	228	2	6	2	<0.2	<0.2	13	523	
15	711	284	4	7	6	8	<0.2	17	656	
30	557	210	8	6	4	<0.2	<0.2	14	552	
60	1124	401	17	14	8	2	<0.4	26	890	

Review of Operations continued

ABOUT BATTERY GRADE MANGANESE

Growth in demand from the battery manufacturing industry is expected to drive projected demand curves as technological advancements in wind and solar power generation and the need for associated grid electrical storage systems expands¹.

This demand is expected to continue to grow due to the current and expected future growth in the global electric vehicle industry, which in turn has a strong impact on battery demand. High purity manganese is a key ingredient in several types of widely used battery technologies including NCM Li-ion, alkaline and zinc-carbon, and the next generation lithiated manganese dioxide batteries, with cathodes comprising over 60% Mn compared to approximately 4% lithium.

Early stage market research has identified a range of products with high value in use which may be considered for the processing of Butcherbird ores.

These include:

- **Electrolytic Manganese Dioxide (“EMD”);**
- **Chemical Manganese Dioxide (“CMM”);**
- **Electrolytic Manganese Metal (“EMM”); and**
- **Manganese Sulphate as a fertilizer and feed additive.**

On a theoretical chemistry basis, all of these end products should be able to be produced from the PLS that resulted from the Stage I test work.

1.2. Holleton Project (MZM 100%)

The Holleton exploration licence application E77/2334 covers approximately 115 km² of the Holleton Greenstone Belt, location approximately 400km east of Perth. The tenement has now been granted and an access agreement has been signed with the landholder to allow exploration to commence.

Previous exploration by Independence Group NL included a broad regional surface geochemical programme that defined numerous gold anomalies across an area of poorly exposed greenstones comprised mostly of meta-basalts with minor schist, pegmatite and granite. Follow-up drilling across these anomalies was typically first-pass in nature with many intersections left open.

¹ <http://www.grandviewresearch.com/press-release/global-electrolytic-manganese-dioxide-market>

Review of Operations continued

The best of the historic results is at the Brahma Prospect ("Brahma") where a >2.5km long, >50ppb gold in soil anomaly (see Figure 4) was defined and subsequently followed up with shallow aircore drilling which confirmed a strong basement anomaly. Three diamond drillholes in a confined area of the anomaly represent the only holes drilled to deeper than 50m. The best intersections at Brahma include **73m @ 0.3 g/t Au** (including **4m @ 1.6 g/t Au** and **1m @ 7.6 g/t Au**) however all three diamond holes returned broad mineralised intervals (Figure 5).

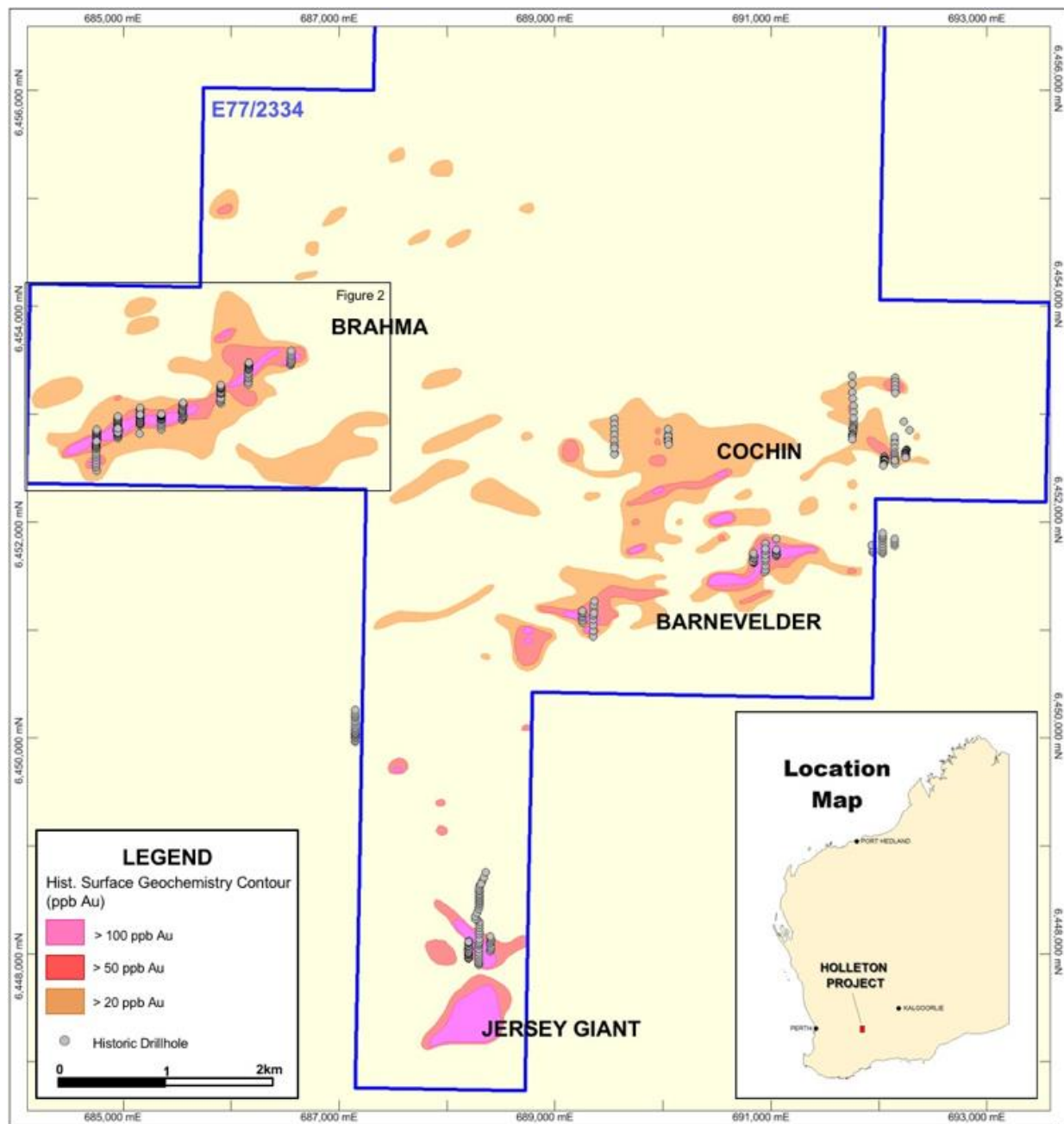


Figure 4. Soil anomalies generated by Independence Group NL exploration between 2008 and 2010².

² http://geodocs.dmp.wa.gov.au/common/searchAPI.do?cabinetId=2301&Report_Ref=A78817,
http://geodocs.dmp.wa.gov.au/common/searchAPI.do?cabinetId=2301&Report_Ref=A81028,
http://geodocs.dmp.wa.gov.au/common/searchAPI.do?cabinetId=2301&Report_Ref=A86123

Review of Operations continued

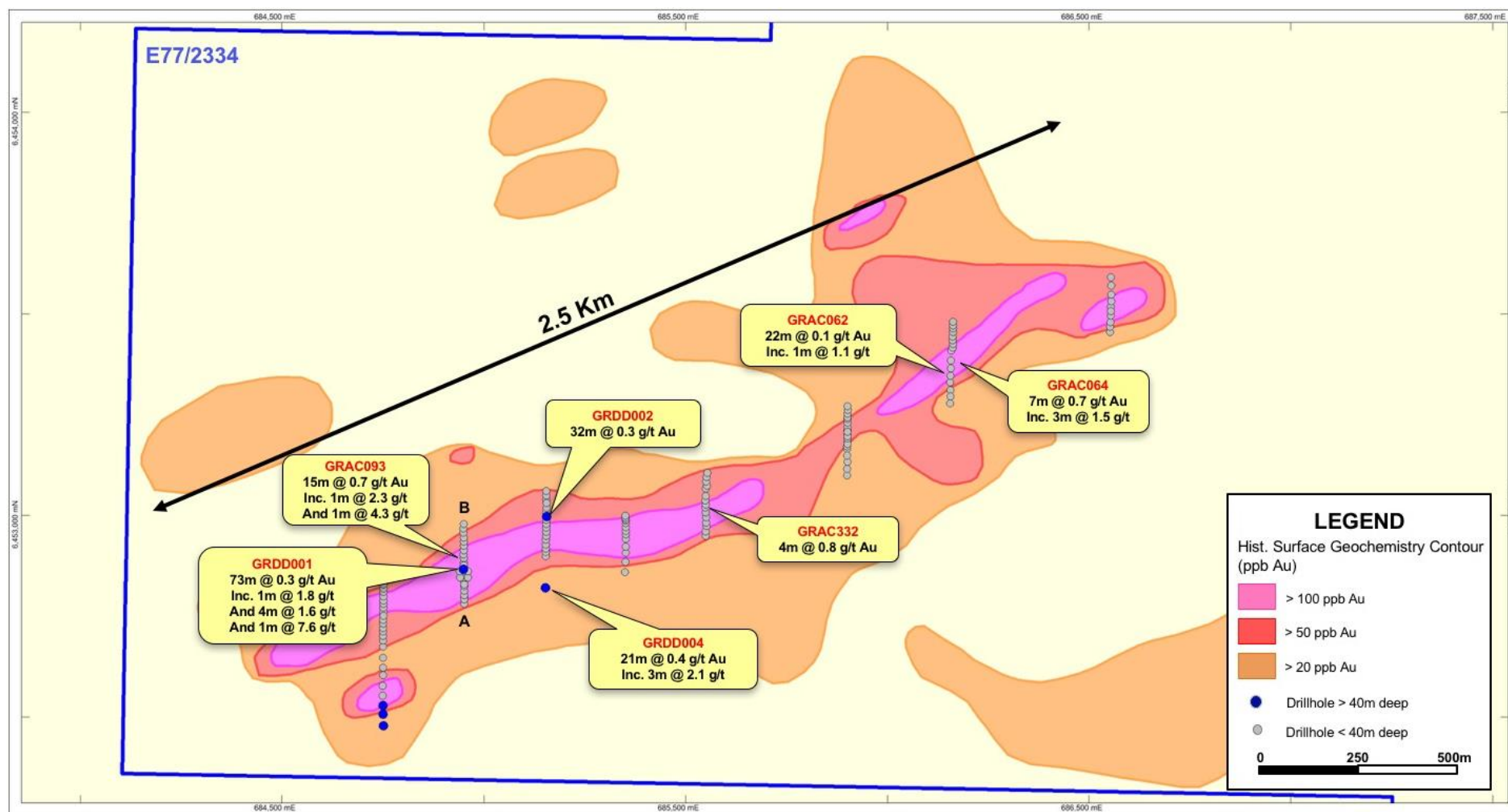


Figure 5. Detailed view of the Independence Group NL generated Brahma soil geochemical anomaly and selected drill results from systematic geochemical aircore drilling and reconnaissance RC and DD drilling¹.

Review of Operations continued

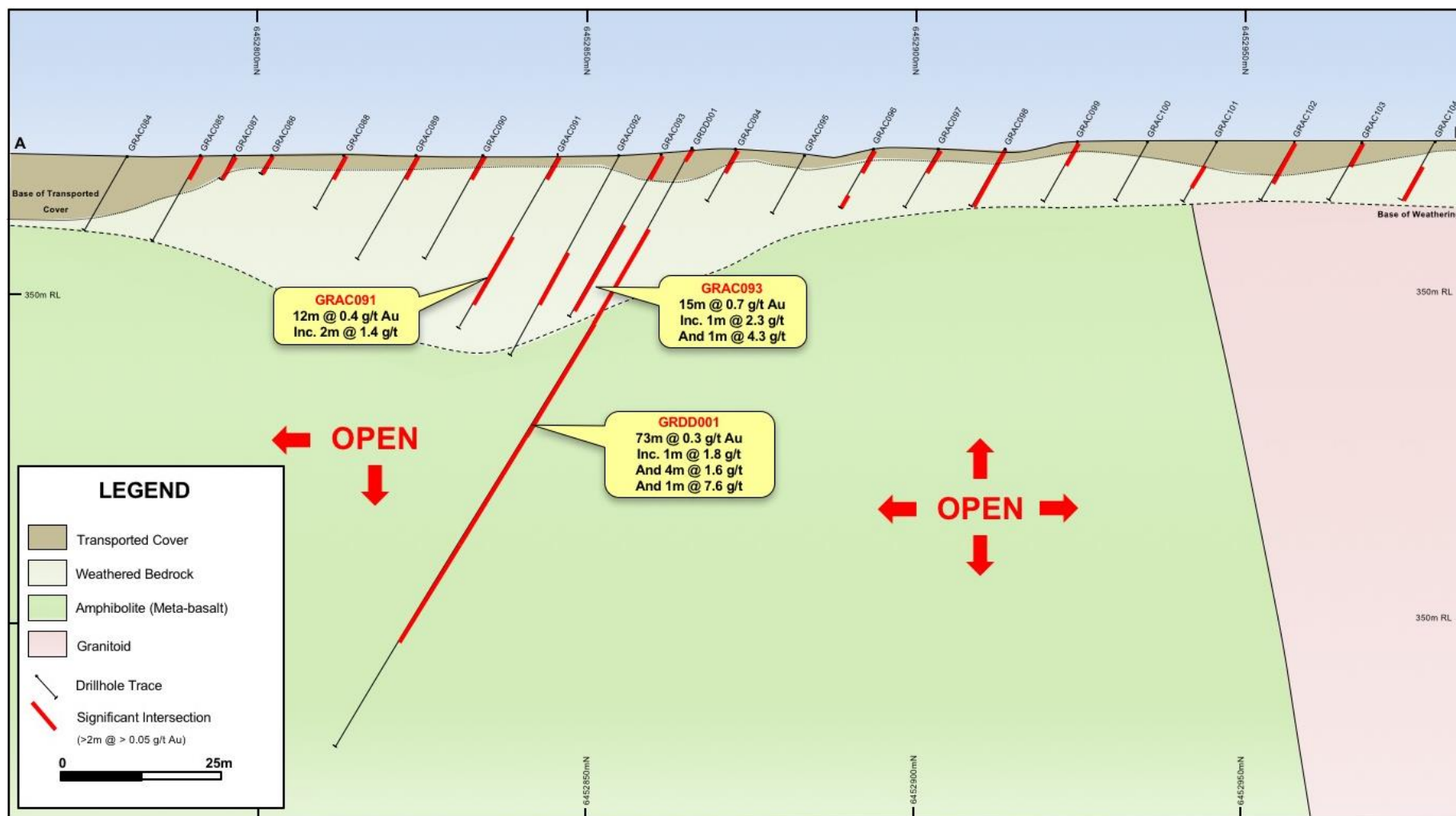


Figure 6. Cross section through the Brahma soil/aircore anomaly showing broad widths of gold mineralisation with associated calc-silicate alteration which may be indicative of a potentially large gold system.

Review of Operations continued

Based on the limited drilling to date, the most favourable gold grades at Brahma appear to be associated with more intense sulphide mineralization. To assist in targeting the best grades along the known 2km strike length of the bedrock anomaly, the Company conducted an orientation Induced Polarisation (“IP”) survey across one section.

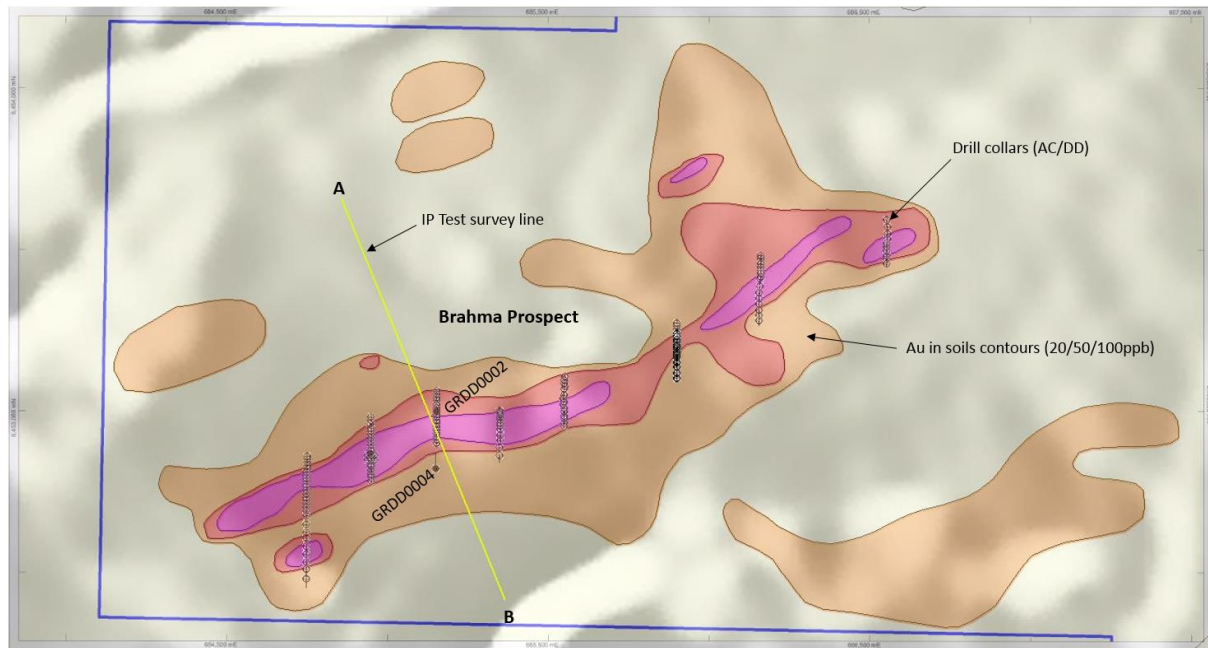


Figure 7. Plan view of the Brahma gold trend showing basement gold values and the location of the IP survey line overlaying magnetics (RTP 1VD).

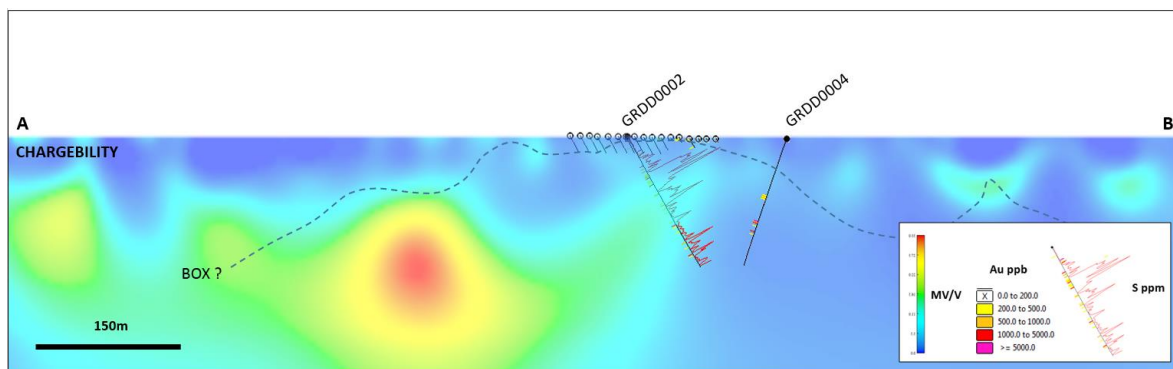


Figure 8. Sectional view of the inversion model along section A-B showing chargeability (mV/V) and historical drilling.

The results identified a strong 33mV/V conductive zone, indicating that a larger scale IP survey along the entire 2km strike length of the Brahma gold target may be the most cost effective method to generate drill targets and expedite the identification of potentially higher grade zones at Brahma.

Review of Operations continued

1.3. Pinnacles Project (MZM 100%)

The Pinnacles Project is located approximately 100km north east of Kalgoorlie and 8km south of the multi-million ounce Carosue Dam Gold Camp.

Following grant of the project licences, the Company has completed a detailed historic data compilation and review which highlighted the potential for high grade cobalt associated with manganese-nickel oxide mineralisation at the Pinnacles Project.

The Project was extensively drilled for lateritic nickel mineralisation until 2004. Approximately 632 aircore, 23 RC and 3 DD holes were completed for 33,228m on a spacing of approximately 200 by 80 metres.

The historic drilling was digitised and polygonal wireframes created with 0.03% cobalt cut-off. Volumes were calculated and an assumed specific gravity value of 1.9 was used to estimate an Exploration Target of:

13 to 14 Mt @ at 0.075% to 0.085% Co and 0.75 and 0.8% Ni.

Note: the potential quantity and grade is conceptual in nature, that there has been insufficient exploration to estimate a Mineral Resource and that it is uncertain if further exploration will result in the estimation of a Mineral Resource.

This data is expected to be used to generate a JORC compliant mineral resource estimate which will form the basis of commercialisation studies to determine the best pathway forward to generate shareholder value from the project.

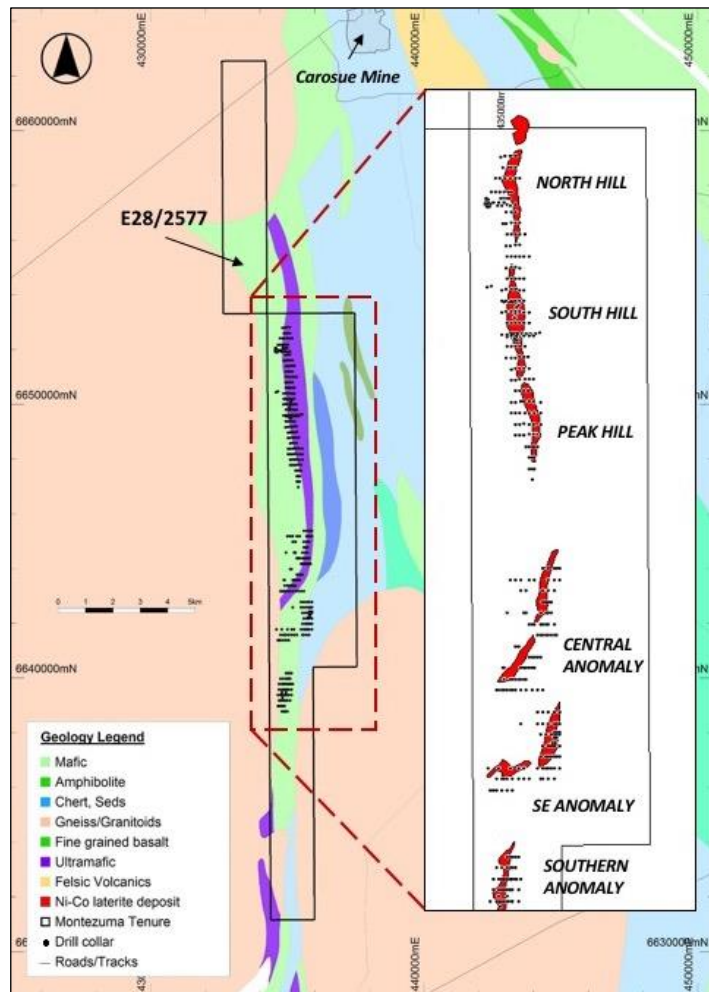
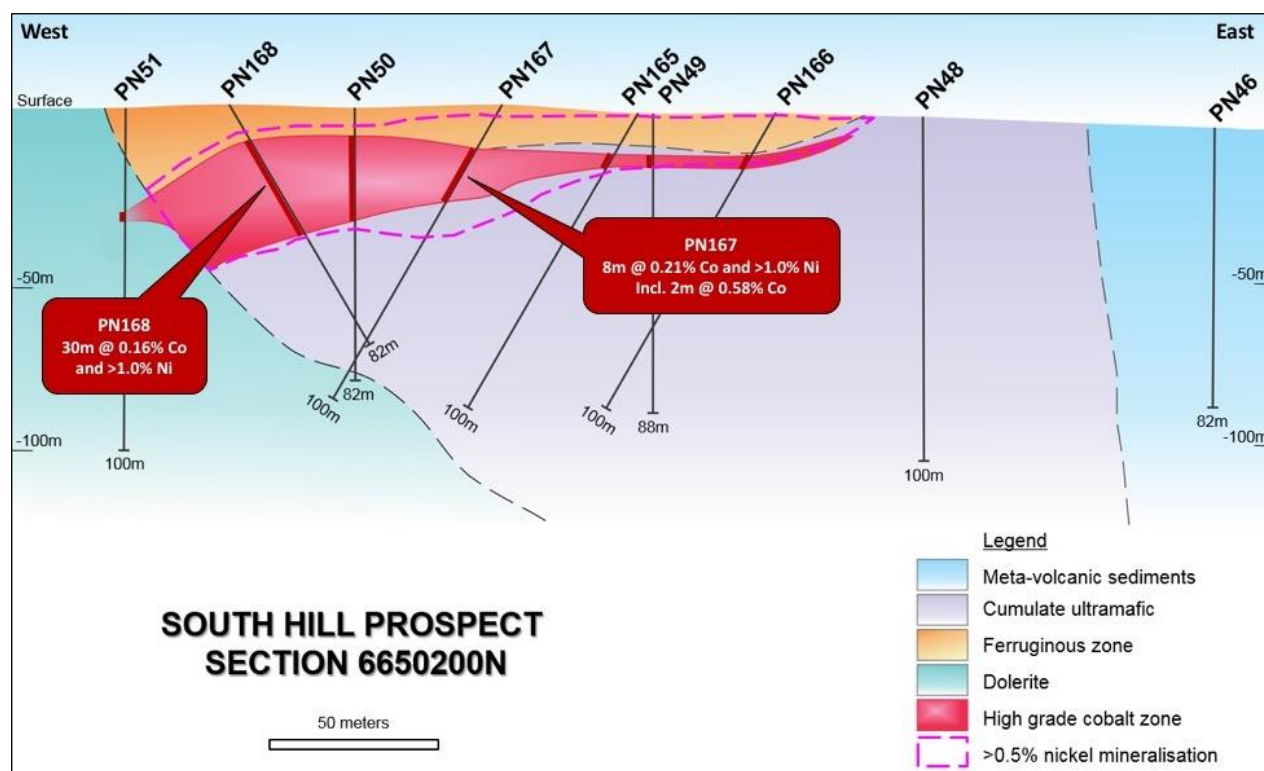


Figure 9. Plan view showing drillhole collar locations and cobalt mineralised zones along approximately 15km of strike.

Review of Operations continued

As a result of the historic work being focussed on the nickel rather than the cobalt mineralisation, the Company also believes there is potential for further work to better define the higher grade cobalt zones within the greater lateritic nickel orebody.

The addition of cobalt to the Company's project portfolio strengthens Montezuma's strategic position as it expands into the technology metal space to take advantage of **increasing metal prices**. This is a result of strong projected demand growth as the world moves from a fossil fuel energy system to one which is based on renewable energy production and battery storage³. Most key battery technologies use lithium with manganese and/or cobalt, the target commodities for the Company's Butcherbird, Lake Johnston and Pinnacles Projects.



In addition to cobalt, the review of the historic data identified potential for nickel sulphide highlighted by a high grade intercept in PNR266 (**2m @ 2.3% Ni, 0.11% Cu including 1m @ 3.5% Ni, 0.15% Cu**) interpreted by the technical team as likely to be derived from a primary sulphide source in contrast to the surrounding lateritic mineralisation⁴.

The indicators include the higher grade nickel with coincident elevated copper grade (both being the highest intersected at the project to date), and the relative cobalt depletion in the highest grade interval. The interpretation is also supported by the magnesium and chromium profiles down hole,

³ <https://www.climatecouncil.org.au/batterystoragereport2015>

⁴ See Company ASX Release dated 7 May 2017

Review of Operations continued

which also suggest that the intercept may be located close to a basal contact position.

Due to the geological and empirical evidence for nickel sulphide, the Company commissioned a high powered Moving Loop Electromagnetic (MLEM) survey to validate and determine the potential extent of the sulphide intercept, covering approximately 1.7km of strike along the interpreted ultramafic sequence, which resulted in the identification of two late time bedrock conductors⁵.

Strong arsenic anomalism was also identified in the historic data, along with a near complete lack of gold assays, suggesting the gold potential had largely been untested by previous operators.

Subsequently, a drilling programme comprising 8 holes for 1,335m was completed⁶ to test multiple target types with:

Cobalt: Drillhole PNRC0003. Confirmation drilling of high grade cobalt identified in historic drilling and supply of sample material for metallurgical test work.

Nickel Sulphide: Drillholes PNRC0001, 2 and 8. Two late time bedrock conductors identified in a recent EM survey, one of which is located beneath a historic sulphide intercept of 2m @2.3% Ni.

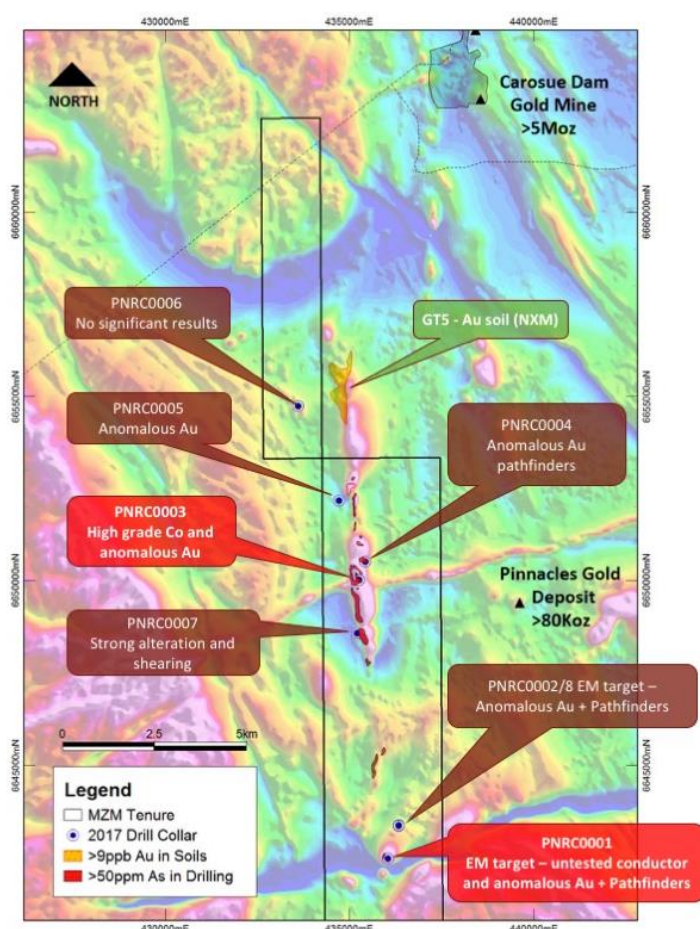
Gold: Drillholes PNRC0004-7. Historic work failed to analyse for gold in almost all drillholes however strong arsenic anomalism is clearly defined over significant strike lengths. Current programme tests for gold association within the arsenic enriched rocks.

ASSAY RESULTS SUMMARY

Cobalt

Drillhole PNRC0003, which was designed to validate the historical cobalt values intersected within the main laterite zone, has confirmed exceptional grades over broad widths with a best intercept of **14m @ 0.15% Co**, and a maximum cobalt value of **0.45% Co** recorded over 1m at 35m. This intersection closely matches the thickness and grade of intersections in nearby historical drill holes.

In addition to confirming historic work, the samples obtained from this drillhole will be the focus of



⁵ See Company ASX Release dated 15 May 2017

⁶ See Company ASX Release dated 20 July 2017

Review of Operations continued

first pass metallurgical testing to establish whether the laterite ores at the Pinnacles Project are amendable to low capital cost processing pathways. If the early test work is successful, the Company will commence investigations into the best way to commercialise the large areas of near surface cobalt rich laterite material within the project area.

Nickel

Drilling targeting a bedrock EM anomaly encountered a thick cumulate ultramafic up to 150m in downhole thickness. Visual observations and portable XRF readings indicated the potential presence of weakly disseminated (cloud) nickel sulphide within the ultramafic. Laboratory assays support these observations, and show that the likely magmatic sulphides are confined to discrete zones proximal to the margins of the ultramafic, with nickel/copper values up to 0.35% Ni/0.03% Cu (The non-mineralised ultramafic averages ~0.10-0.22% nickel). **The location of sulphides and geochemical profile of the stratigraphy is typical of a differentiated ultramafic that is intrusive in origin.** Petrology will now be completed to confirm these observations. The EM target remains untested and ranks highly given the presence of potential magmatic nickel sulphides within the host ultramafic and lack of other conductive lithologies encountered within PNR0001.

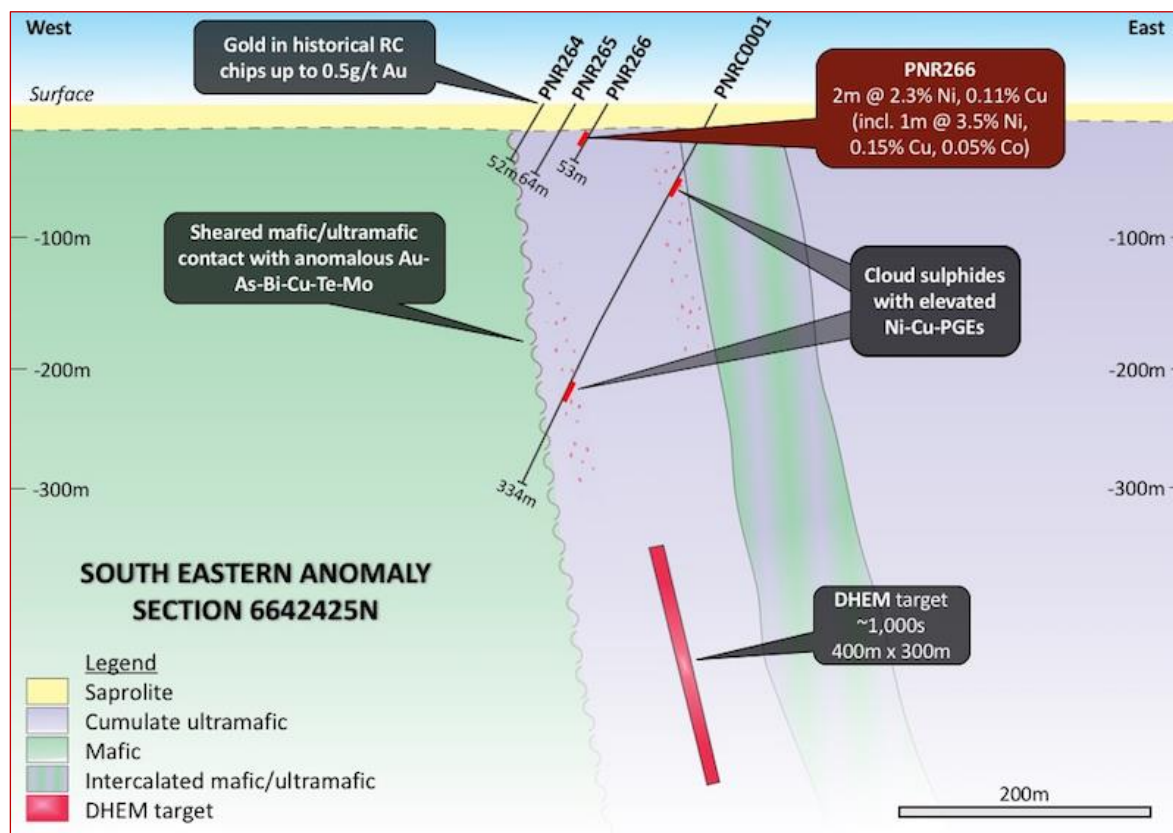


Figure 10. Schematic section along 6642425N showing historical drill holes, interpreted geology of PNR0001 and untested DHEM conductor. Intercepts are downhole widths.

Review of Operations continued

Gold

The drill testing of historical geochemical anomalies and stratigraphic targets has revealed a number of strong coincident gold / pathfinder anomalies (Au-As-Bi-Te-Cu+/-Mo), and is indicative of the presence of a widespread hydro-thermal event. The recent results (supported by historical geochemistry) upgrade the potential for the discovery for gold mineralisation within the project tenure. Drill hole PNRC0007 was drilled to the west of the planned target due to restricted access, but still encountered strong alteration and shearing associated with the ultramafic/mafic contact.

The results also indicate that the ultramafic/mafic contact is a valid gold exploration target with anomalous gold (up to 116ppb Au) and other pathfinder elements (As-Bi-Te-Cu-Mo).

1.4. Lake Johnston (MZM 85%)

During the year the Company completed target generation activities and confirmed the potential for lithium mineralisation at the Company's Lake Johnston Project in Western Australia. The Lake Johnston Project is located approximately 460km east of Perth, and 25km south of the Maggie Hays and Emily Ann nickel deposits, currently held by Poseidon Nickel Ltd ("Poseidon").

The Lake Johnston area has recently become the focus of intensive lithium exploration, due to known lithium occurrences at Mount Day and Lake Percy, and the recent discovery of the nearby, and potentially world-class, Earl Grey lithium deposit (Kidman Resources Ltd or 'Kidman')⁷.

As announced during December 2016 (ASX release dated 21 December, 2016), Montezuma purchased the extensive exploration database for the Lake Johnston Project from Hannan's Ltd (ASX:HNR)⁸. The database includes geochemical, geophysical and drilling data, and has allowed the Company to accelerate target definition activities targeting economic accumulations of nickel, gold and lithium.

During a detailed review of the database, a number of priority lithium targets have been identified within the project area. These targets have been generated with historical mapping and field reconnaissance in areas of outcrop, and historical drilling and auger sampling. The review has highlighted a high volume of pegmatites, both in drilling, and in outcrop, some coincident with elevated levels of lithium (up to 75ppm in lake auger drilling). Significantly, none of the identified pegmatites have been sampled for lithium or associated elements (eg rubidium).

The Company intends to commence follow up work to validate these lithium targets. A field program will be undertaken including further mapping, rock chip sampling and, where possible, re-sampling of

⁷ http://kidmanresources.com.au/live/wp-content/uploads/2016/12/ASX-Announcement_Earl-Grey-Maiden-Resource-Correction-Announcement.pdf

⁸ Company ASX release dated 21 December 2016

Review of Operations continued

historical drilling spoil for lithium and selected pathfinder element assay.

This work will also focus on following-up a number of existing nickel and gold targets, with a particular focus on the Hardcore and Ernest gold prospects where previous workers identified significant near surface gold mineralisation. Historic drilling intercepts at the Hardcore Prospect include⁹ 8m @ 5.09 g/t Au, 3m @ 17.69 g/t Au and 2m @ 35.88 g/t Au.

⁹ <http://www.hannansreward.com/reports/196-101102-Lake-Johnston-Update.pdf>

Review of Operations continued

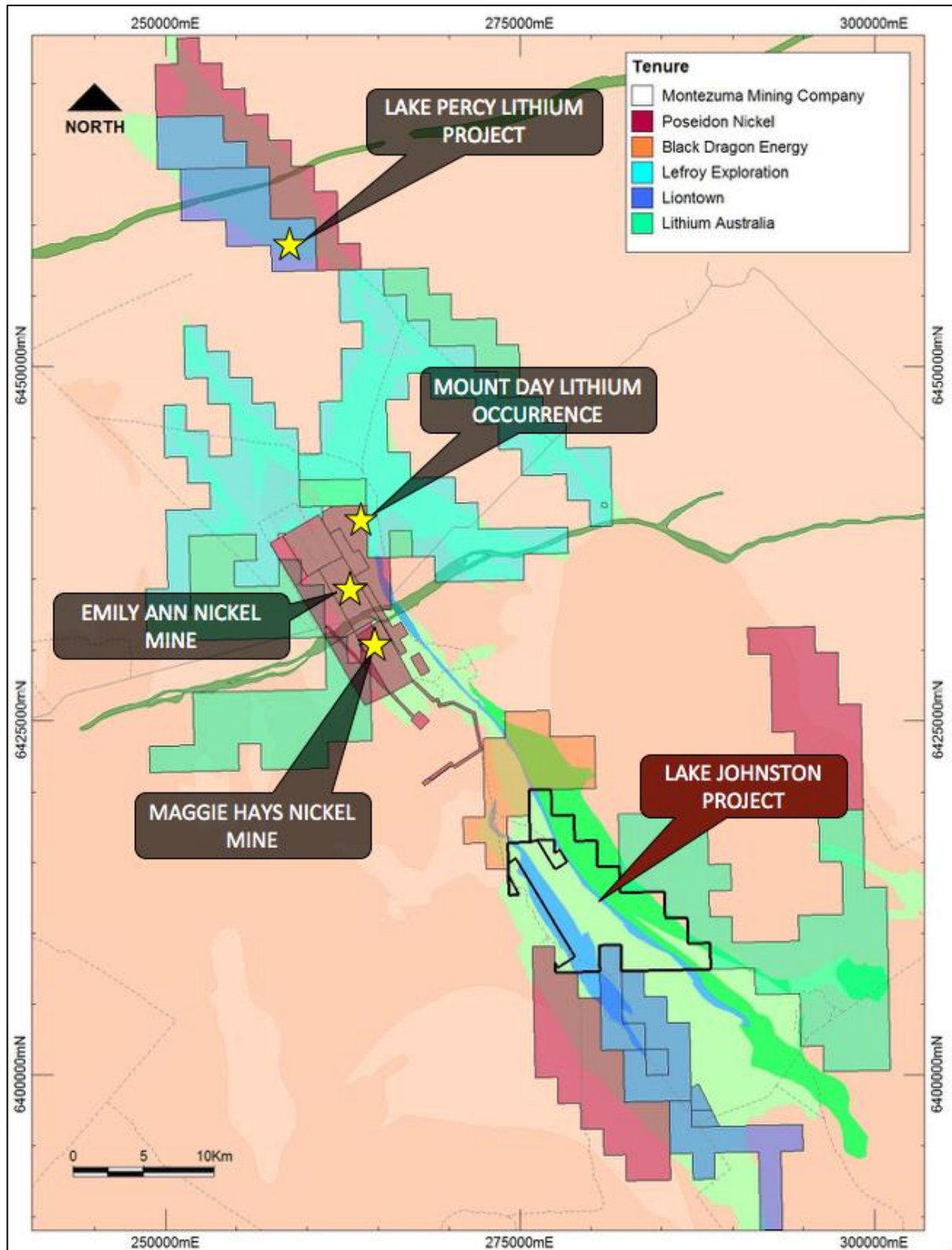


Figure 11. Lake Johnston Project location plan and regional lithium competitor map.

Review of Operations continued

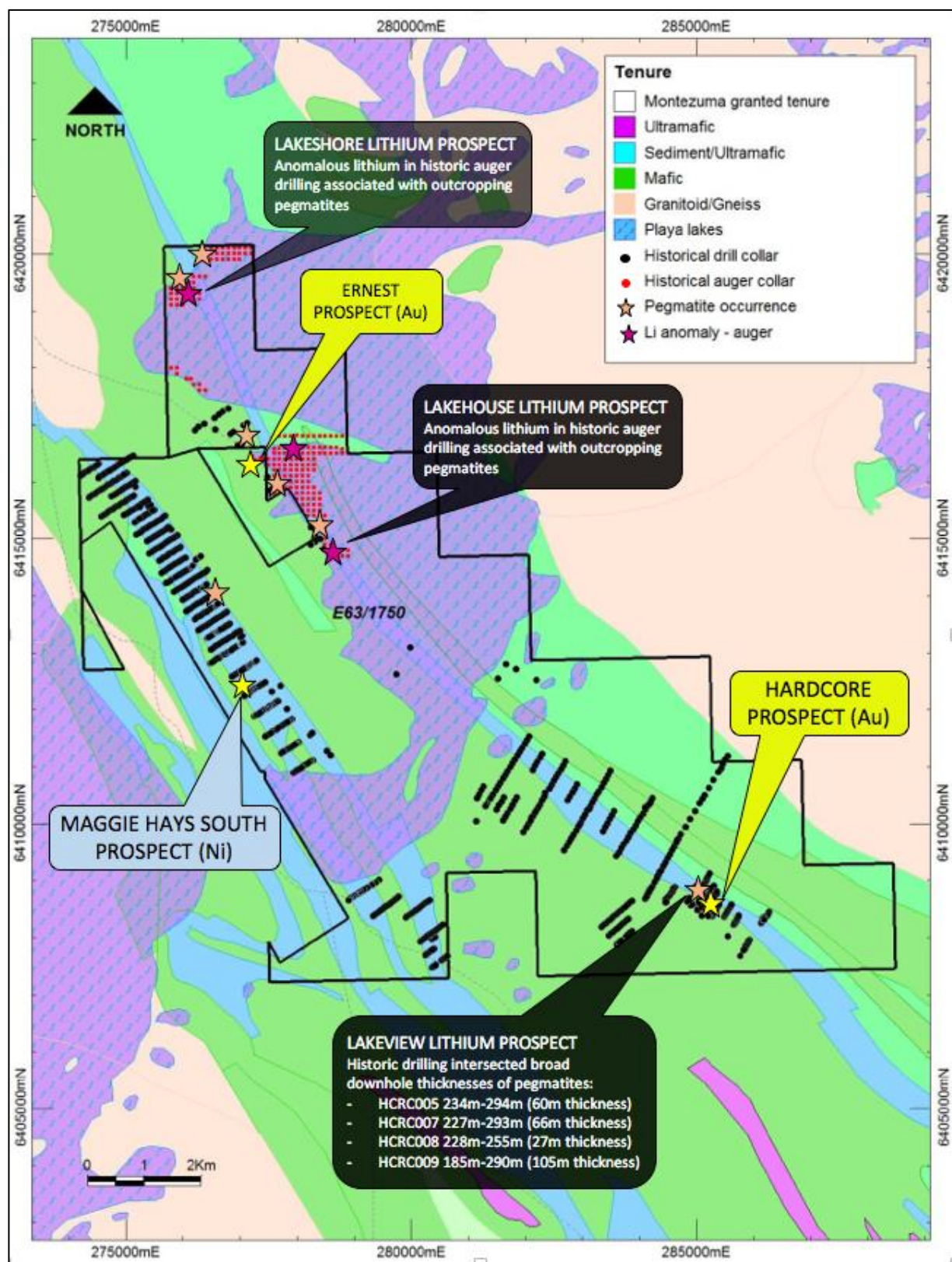


Figure 12. Detailed geological map showing historical auger and drilling locations, and the known pegmatite occurrences and lake auger lithium anomalies.

Review of Operations continued

1.5. Green Dam (MZM 100%)

The Green Dam project is located 120km ENE of Kalgoorlie in the Eastern Goldfields, situated on the eastern edge of the Norseman – Wiluna Greenstone Belt. The main rock types comprise a sequence of mafic and ultramafic rocks, felsic volcanics, sediments and banded iron formation, wrapping around the eastern margin of the Goat Dam monzogranite.

The project was previously held by Panoramic Resources Limited prior to the Company acquiring the tenements. Prior to the tenement acquisition the area had been subject to sporadic drilling and geophysical programs over the last 40 years with recent work completed by Magma Minerals Limited (Magma) highlighting the projects continued prospectively for Ni-Cu-PGE sulphide mineralisation¹⁰. The tenement contains both narrow high grade

intercepts up to 2m @ 2.2 % Ni and 0.37% Cu and broad low grade intercepts up to 45m @ 0.6% Ni and 0.23% Cu. Mineralisation was defined over 900m of strike within two sub-parallel steep dipping zones, but intercepts have been made over 1,200m of strike, although not completely followed up. Magma were originally assessing Green Dam's potential as a large tonnage-low grade, mafic-ultramafic intrusive, Ni-Cu-PGE hosting target but also not ruling out the potential to contain low tonnage-high grade zones. There are two main lodes of interest, the western lode and the contact lode. The western lode is a massive sulphide lens which lies approximately 50m above the eastern contact and has a strike length of 350m. The eastern contact has a number of discrete massive

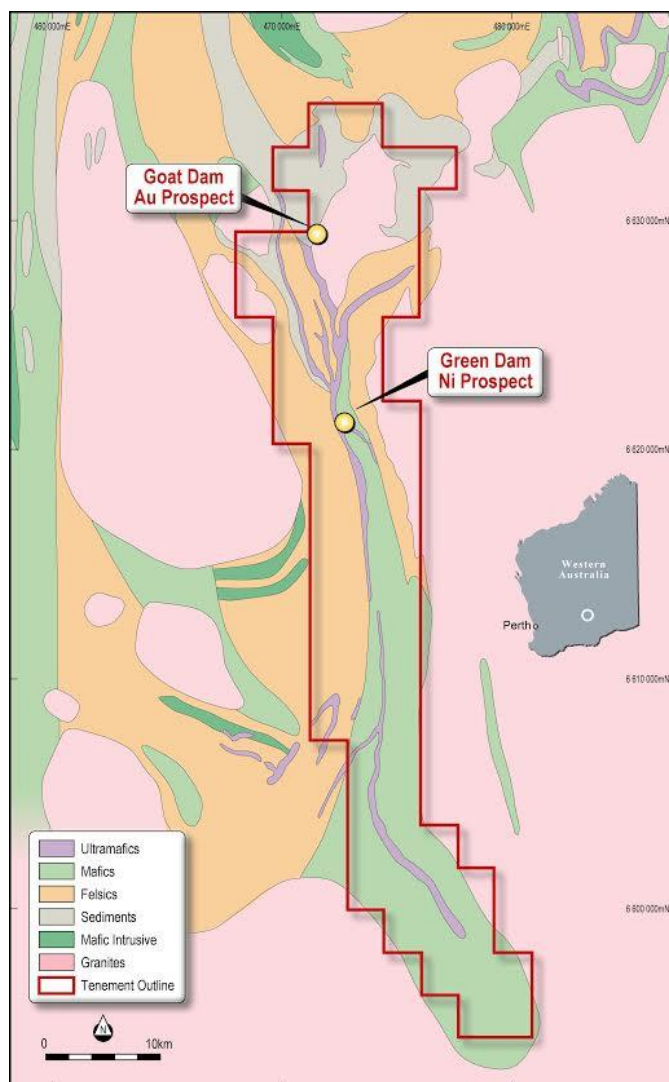


Figure 13. Green Dam Tenement Location Plan

¹⁰ <http://www.asx.com.au/asxpdf/20071031/pdf/315k3lpf6t9xch.pdf>

Review of Operations continued

sulphide zones along its length and in places disseminated and stringer sulphides.

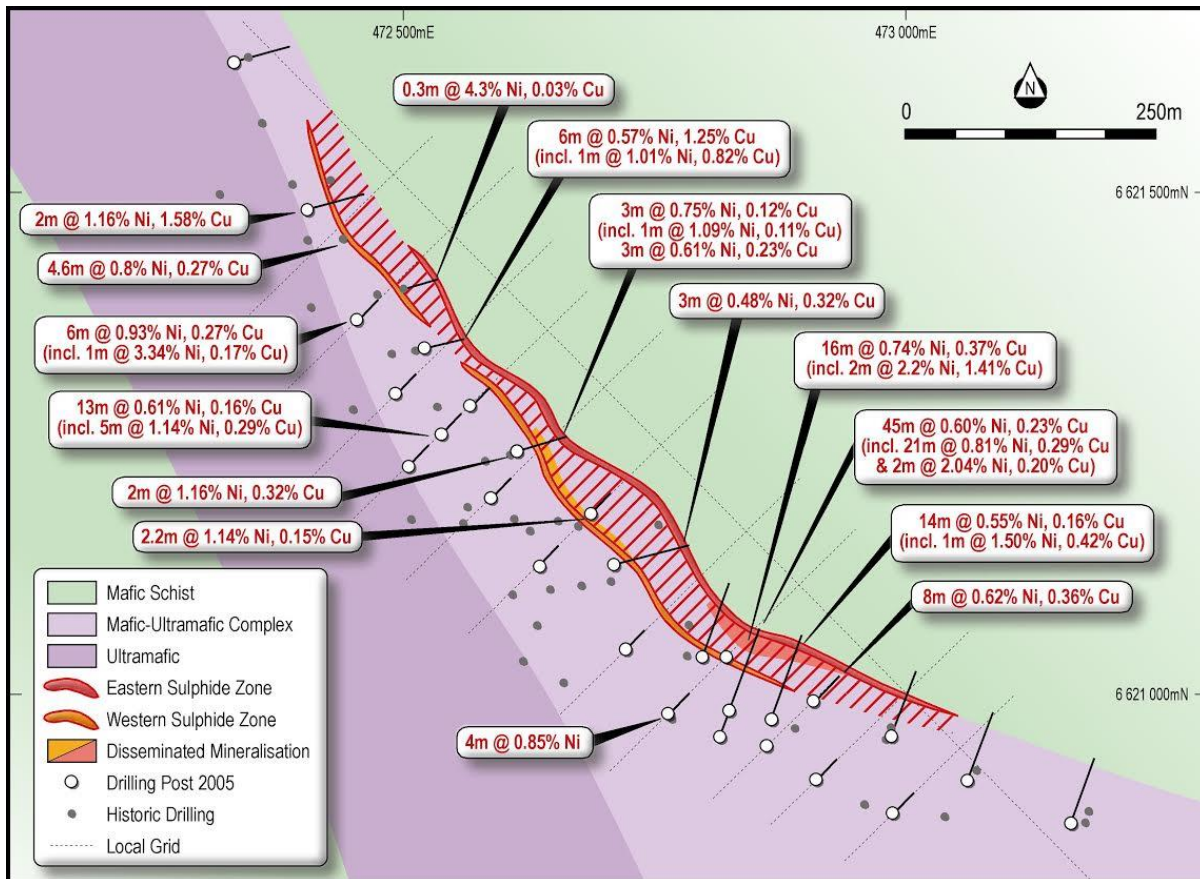


Figure 14. Green Dam historic drilling results

The Company is continuing a data compilation and desktop review of the data acquired with the tenement along with establishing the locations of samples and cores so that selective re-logging and sampling can be conducted to confirm prospectivity in a cost effective manner before starting on ground fieldwork, the first phase will commence as soon as practicable.

1.6. Yamarna (MZM 100%)

The Yamarna Project comprises two granted exploration licences and one licence under application, with the principal target zone located along strike from the recent 6.6 million ounce gold discovery at Gruyere by Gold Road Resources Ltd ("GOR")¹¹.

Drilling continued during the year, following up on numerous narrow but high grade intercepts intersected in previous drilling programmes.

¹¹ <http://www.goldroad.com.au/media/2017/01/587c22f387591563926540.pdf>

Review of Operations continued

A total of 20 reverse circulation holes for a total of 2,754m were completed at Yamarna during the year¹², with several holes intersected broad zones of alteration including silica, biotite and sericite overprinting, associated with quartz veining +/- sulphides. The alteration occur over zones of up to 40m downhole and is interpreted to have resulted from a significant hydrothermal event.

If gold bearing, these new zones will significantly add to the prospectivity of the Yamarna Project for larger tonnage style gold mineralisation. Previous intersections at Yamarna have been high grade, but tended to be narrow in downhole width.

The drilling was completed at the Jatz, Le Snak and Salada prospects following a regional integrated structural review using the available aeromagnetic, gravity and drilling datasets.

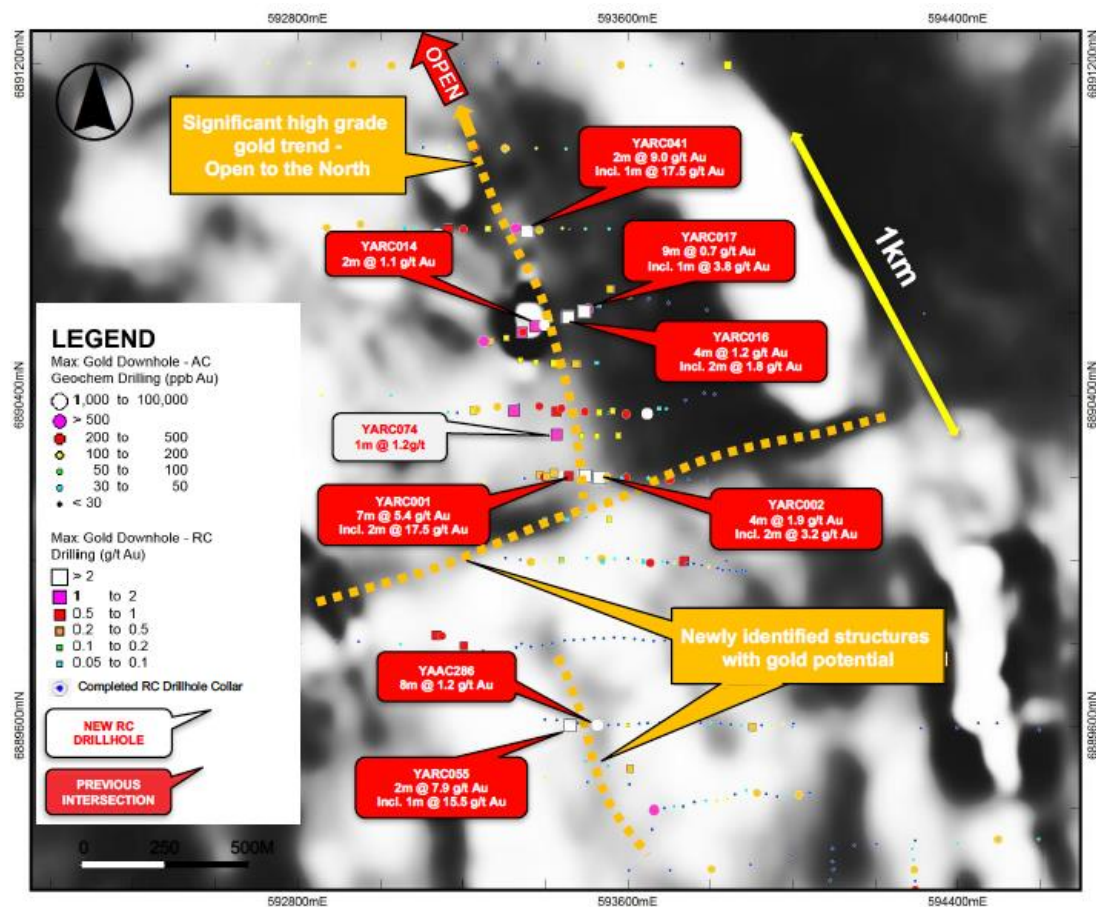


Figure 15. Jatz and Le Snak prospects drillhole location plan. All intersections are downhole widths¹³.

The drilling intersected a number of anomalous gold zones and this information is currently being integrated into the regional dataset and a prospectivity review is currently underway.

¹² See Company ASX release dated 7 February 2017

¹³ http://montezuma.com.au/images/uploads/160926_High_Grade_Gold_Trend_Confirmed_at_Jatz_FINAL.pdf

Review of Operations continued

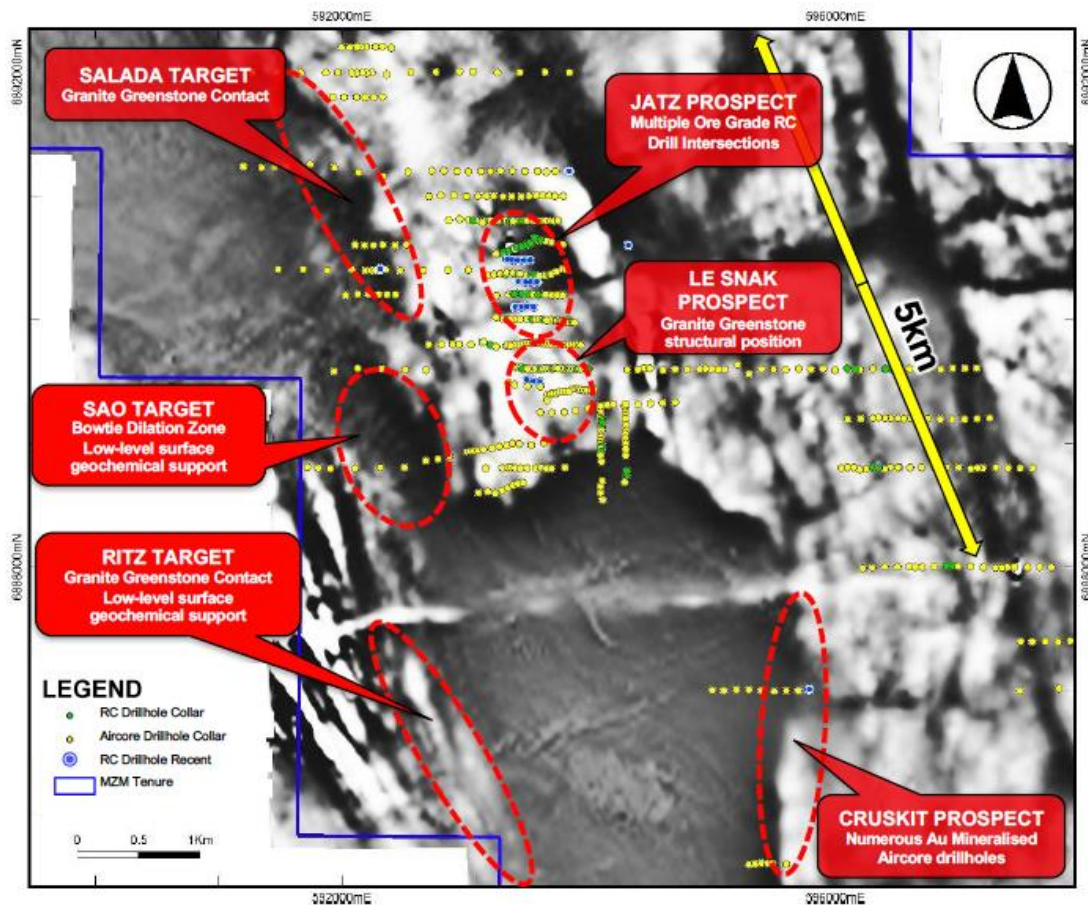


Figure 16. Regional prospect and drillhole location plan.

1.7. Bonneval Gold Project France

During the year Cordier Mines SAS ("Cordier"), was granted an Exploration Permit (PERM) for the Bonneval Project. The PERM covers approximately 260km² over a highly prospective region including multiple historical gold mining centres south of Limoges, in Limousin, south-central France.

The Bonneval Project consists of a single, five-year Exploration Permit, prospective for gold, antimony and associated commodities in an historical mining area. The permit is located in a prospective geological/metallogenic district that is considered, based on extensive historical data review, to be one of the most prospective areas for gold in France, and provides the opportunity for potential new discoveries.

Review of Operations continued

Over 28 tonnes (~0.94M Oz) of gold¹⁴ has been produced historically within the Bonneval Project area. Gold has been extracted from open cut and underground mining operations, with grades typically ranging from 7-9g/t in the open pits, to 12-16g/t within the underground mines. The area has seen little exploration since the closure of the last gold mine in the early 2000's (due to depressed commodity prices), and potential upside remains around the known deposits and more regionally.

Cordier will now focus on refining the Bonneval Exploration Strategy and continuing to work closely with the relevant stakeholders and local communities. The exploration field programs are expected to begin during the first year, and may initially include airborne geophysics.

Mining and Exploration in France

The French Government has recently begun to seek national and international mining investment after a long hiatus. Several new Exploration and Mining Permits have been granted to a number of companies within the highly prospective Massif Central and Amoricain, and both these terranes host gold and/or base metal deposits. France is re-emerging as an exciting mining region due to a number of factors, including the lack of exploration activity over the last 25 years, excellent infrastructure, access to skilled labour, and the stable political and economic environment.

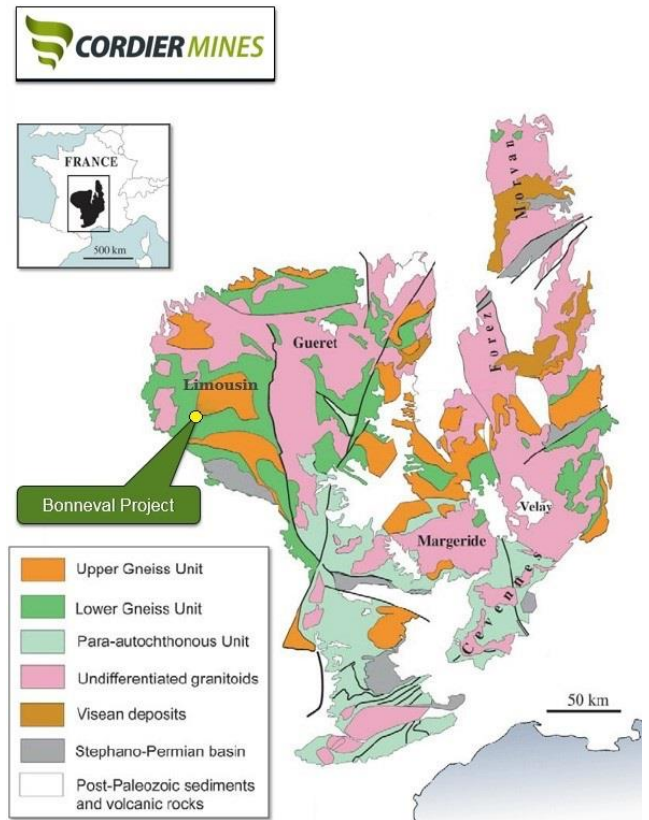


Figure 17. Bonneval Project location overlaying the simplified geology of the Massif Central

¹⁴ Historical production sourced from 'les minéralisations aurifères de la France dans leur cadre géologique autour de 300Ma', Chron. Rech Min No.528, 1997.

Review of Operations continued

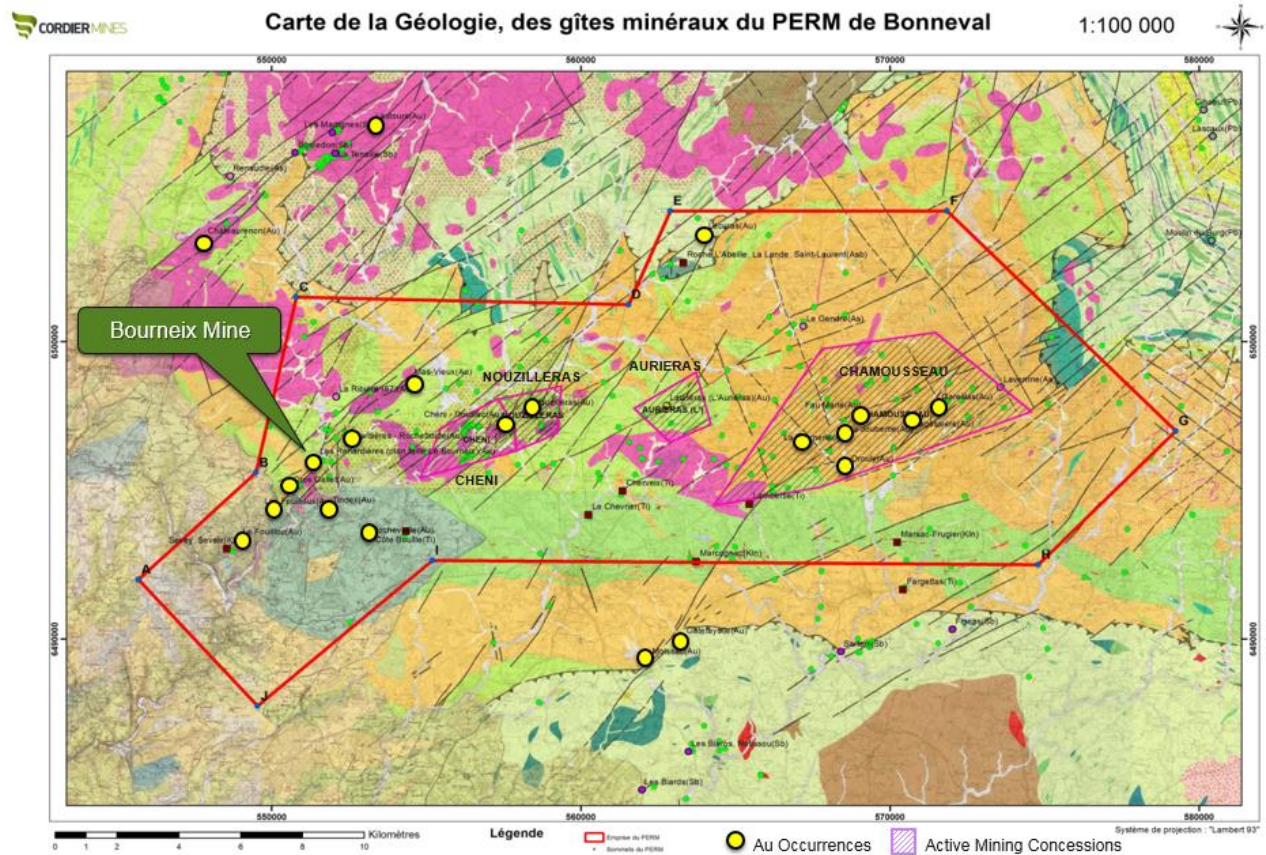


Figure 18. Geological map of the Bonneval PERM showing the distribution of known gold occurrences. Hatched areas are excised blocks not held by Cordier.



Photo 1. Historical open pit at the Laurieras Gold Mine, St Yrieix D

Review of Operations continued

2. Corporate

2.1. Capital Raising

In August 2016 the Company raised \$2.21M before costs through the issue of 13M fully paid ordinary shares at an issue price of \$0.17 per share¹⁵.

The placement was managed by Blackwood Capital Limited. A fee of 6% of the funds raised was paid on completion, in addition to the allotment of 2M options exercisable within four years of the date of issue at an exercise price of \$0.30.

2.2. Investment Portfolio

Investment Portfolio (as at 30 June 2017)

In addition to cash reserves, the Company also currently holds shares in the following listed entities:

Listed securities at market value:	No. Held	Closing Price	Market Value
Buxton Resources Ltd (BUX)	355,000	0.2350	\$83,425
Buxton Resources Ltd (BUX) 12.5c Options	4,000,000	N/A	-
Duketon Mining (DKM)	1,450,000	0.1350	\$195,750
Exterra Resources Ltd (EXC)	14,000,000	0.0420	\$588,000
Alt Resources Ltd (ARS)	1,250,000	0.0500	\$62,500
Auris Minerals Ltd (AUR)	1,000,000	0.0570	\$57,000
Lefroy Exploration (LEX) (escrowed)	4,200,000	0.1300	\$546,000
Danakali Limited (DNK)	7,527,369	0.7600	\$5,720,800
Danakali Limited (DNK) 35c Options	2,272,727	N/A	-
Total as at 30 June 2017			\$7,253,475

¹⁵ See ASX Company Release dated 5 August 2016

Review of Operations continued

3. Appendices

3.1 Summary of JORC Resources

Attached as Appendix 3.1 is a table showing the Company's Mineral Resources as at 30 June 2017. There has been no change to the Company's Mineral Resources since 30 June 2016. No ore reserves have been estimated.

Classification	Inferred Resource	
Cut-off	10% Mn	
Deposit	Tonnes (Mt)	Mn (%)
Bindi Bindi Hill	8.75	11.09
Budgie Hills	1.03	10.82
Cadgies Flats	0.25	11.08
Coodamudgi	12.9	11.48
Illgararie Ridge	17.0	10.71
Mundawindi	14.2	12.23
Richies Find	16.1	11.56
SUBTOTAL	70.2	11.4
Yanneri Ridge	48.8	11.8
GLOBAL TOTAL – 30 June 2017	119.0	11.6
GLOBAL TOTAL – 30 June 2016	119.0	11.6

Table 1. Inferred Mineral Resource Estimates at the Butcherbird Manganese Project are reported at a 10% Mn cut.

Classification	Inferred Resource	
Cut-off	8-10% Mn	
Deposit	Tonnes (Mt)	Mn (%)
Bindi Bindi Hill	5.7	9.2
Budgie Hills	3.5	8.9
Cadgies Flats	0.2	9.1
Coodamudgi	3.6	9.5
Illgararie Ridge	18.5	9.2
Mundawindi	2.1	9.4
Richies Find	6.6	9.4
SUBTOTAL	40.1	9.3
Yanneri Ridge	15.8	9.4
GLOBAL TOTAL – 30 June 2017	55.9	9.3
GLOBAL TOTAL – 30 June 2016	55.9	9.3

Table 2. Inferred Mineral Resource Estimates at the Butcherbird Manganese Project are reported at 8-10% Mn.

Review of Operations continued

Review of material changes

There have been no changes to the Company's resources during the year. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original announcements and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

Governance controls

All Mineral Resource estimates are prepared by qualified professionals following JORC Code compliant procedures and follow standard industry methodology for drilling, sampling, assaying, geological interpretation, 3 dimensional modelling and grade interpolation techniques.

The Mineral Resource estimates have been calculated by a suitably qualified consultant and overseen by suitably qualified Montezuma Mining Company Limited employee and/or consultant.

3.2. Competent Persons Statement

The information in this report that relates to Exploration Results, Exploration Targets, Mineral Resources and Mineral Reserves is based on information compiled by Mr David O'Neill who is a member of the Australasian Institute of Mining and Metallurgy. At the time that the Exploration Results, Exploration Targets, Mineral Resources and Mineral Reserves were compiled, Mr O'Neill was an employee of Montezuma Mining Company Limited. Mr O'Neill is a geologist and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr O'Neill consents to the inclusion of this information in the form and context in which it appears in this report.

Please note with regard to exploration targets, the potential quantity and grade is conceptual in nature, that there has been insufficient exploration to define a Mineral Resource and that it is uncertain if further exploration will result in the determination of a Mineral Resource.

The information in the announcement that relates to Mineral Resources for the Butcherbird Project is extracted from ASX announcement of 7 December 2012. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement. This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

Directors' Report

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Montezuma Mining Company Limited and the entities it controlled at the end of, or during, the year ended 30 June 2017.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Where applicable, all current and former directorships held in listed public companies over the last three years have been detailed below. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Seamus Cornelius, (Non-Executive Chairman, Chairman of remuneration committee, audit committee member)

Mr Cornelius brings twenty-four years of corporate experience in both legal and commercial negotiations. Mr Cornelius has been based in Shanghai and Beijing since 1993 where he has been living and working as a corporate lawyer.

From 2000 to 2012, Mr Cornelius was an international partner with one of Australia's leading law firms and specialised in dealing with cross border investments, particularly in the energy and resource sectors. Mr Cornelius has for many years advised large international companies on their investments in China and in recent years advised Chinese state owned entities on their investments in natural resource projects outside China, including Australia. Mr Cornelius is also chairman of Buxton Resources Limited, Danakali Limited and Duketon Mining Limited. Mr Cornelius has not held any former directorships in the last 3 years.

Justin Brown, B.Sc. (Hon), (Executive Director, audit committee member)

Mr Brown is a geologist with over fifteen years' experience in minerals exploration and mining in Australia and globally. He has an extensive technical background with broad spectrum experience in project generation, mineral exploration and mining, coupled with strategic and corporate experience and a proven track record in business development and public company management.

During the last 3 years Mr Brown was a former non-executive director of Exterra Resources Limited (appointed 5 December 2009, resigned 20 September 2017).

Mr Brown was the founding Managing Director of the Company.

John Ribbons, B.Bus., CPA, ACIS (Non-Executive Director, Chairman of audit committee, remuneration committee member)

Mr Ribbons is an accountant who has worked within the resources industry for over twenty years in the capacity of group financial controller, chief financial officer or company secretary.

Mr Ribbons has extensive knowledge and experience with ASX listed production and exploration companies. He has considerable site based experience with operating mines and has also been involved with the listing of several exploration companies on ASX. Mr Ribbons has experience in capital raising, ASX and TSX compliance and regulatory requirements. Mr Ribbons has not held any former directorships in the last 3 years.

COMPANY SECRETARY

John Ribbons

Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Montezuma Mining Company Limited were:

	Ordinary Shares	Options over Ordinary Shares
Seamus Cornelius	3,264,225	3,000,000
Justin Brown	4,312,500	5,750,000
John Ribbons	500,000	3,000,000

PRINCIPAL ACTIVITIES

During the year the Group carried out exploration on its tenements and applied for or acquired additional tenements with the objective of identifying economic mineral deposits.

There was no significant change in the nature of the Group's activities during the year.

DIVIDENDS

No dividends were paid or declared during the financial year. No recommendation for payment of dividends has been made.

Directors' Report continued

REVIEW OF OPERATIONS

Finance Review

The Group began the financial year with a cash reserve of \$3,692,673. During the year the Company completed a placement of 13,000,000 ordinary shares to raise gross funds of \$2,210,000. Funds were used to advance the Group's projects located in Australia.

During the year total tenement acquisition and exploration expenditure incurred by the Group amounted to \$1,492,785 (2016: \$1,928,852). In line with the Group's accounting policies, all exploration expenditure was written off at year end. The Group recognised a net fair value gain on financial assets of \$2,172,701 (2016: \$1,567,714 fair value gain), and income of \$904,465 (2016: Nil) on the sale of mineral properties. The Group also received Research and Development incentive grants totalling \$27,871 during the 2016 financial year. Net administration expenditure incurred amounted to \$584,156 (2016: \$701,072). This has resulted in an operating profit after income tax for the year ended 30 June 2017 of \$1,000,225 (2016: \$1,034,339 loss).

At 30 June 2017 surplus funds available totalled \$4,175,060.

Operating Results for the Year

Summarised operating results are as follows:

	2017	
	Revenues	Results
	\$	\$
Consolidated entity revenues and profit from ordinary activities before income tax expense	<u>3,180,277</u>	<u>1,000,225</u>

Shareholder Returns

	2017	2016
Basic and diluted earnings/(loss) per share (cents)	1.2	(1.5)

Risk Management

The board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the board.

The Group believes that it is crucial for all board members to be a part of this process, and as such the board has not established a separate risk management committee.

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders needs and manage business risk.
- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as disclosed in this Annual Report, no significant changes in the state of affairs of the Group occurred during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances, besides those disclosed at note 21, have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group expects to maintain the present status and level of operations and hence there are no likely developments in the Group's operations.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to significant environmental regulation in respect to its exploration activities.

The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Group are not aware of any breach of environmental legislation for the year under review.

Directors' Report continued

REMUNERATION REPORT

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Principles used to determine the nature and amount of remuneration

Remuneration Policy

The remuneration policy of Montezuma Mining Company Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The board of Montezuma Mining Company Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Group.

The board's policy for determining the nature and amount of remuneration for key management personnel of the Group is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives (if any), was developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The board reviews executive packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives (if any) receive a superannuation guarantee contribution required by the government, which was 9.5% for the 2017 financial year, and do not receive any other retirement benefits. Some individuals may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the Group and expensed. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently \$200,000). Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

Performance based remuneration

The Group currently has no performance based remuneration component built into key management personnel remuneration packages.

Group performance, shareholder wealth and key management personnel remuneration

The remuneration policy has been tailored to increase the direct positive relationship between shareholders' investment objectives and key management personnel performance. Currently, this is facilitated through the issue of options to the majority of key management personnel to encourage the alignment of personal and shareholder interests. The Group believes this policy will be effective in increasing shareholder wealth. At commencement of production, performance based bonuses based on key performance indicators are expected to be introduced.

Use of remuneration consultants

The Group did not employ the services of any remuneration consultants during the financial year ended 30 June 2017.

Voting and comments made at the Company's 2016 Annual General Meeting

The Company received approximately 81.8% of "yes" votes on its remuneration report for the 2016 financial year. The Company did not receive any specific feedback at the Annual General Meeting or throughout the year on its remuneration practices.

Details of remuneration

Details of the remuneration of the key management personnel of the Group are set out in the following table.

The key management personnel of the Group include only the directors as per page 29.

Directors' Report continued

Key management personnel of the Group

	Short-Term		Post-Employment		Share-based Payments	Total
	Salary & Fees	Non-Monetary	Superannuation	Retirement benefits	Options	
	\$	\$	\$	\$	\$	\$
Directors						
Seamus Cornelius						
2017	60,000	3,279	-	-	20,300	83,579
2016	48,000	3,389	-	-	51,750	103,139
Justin Brown						
2017	219,231	5,338	20,827	-	40,600	285,996
2016	180,000	5,696	17,100	-	103,500	306,296
John Ribbons						
2017	42,000	3,279	-	-	20,300	65,579
2016	33,600	3,389	-	-	51,750	88,739
Total key management personnel compensation						
2017	321,231	11,896	20,827	-	81,200	435,154
2016	261,600	12,474	17,100	-	207,000	498,174

Service agreements

The details of service agreements of the key management personnel of the Group are as follows:

Justin Brown, Executive Director:

- Term of agreement – until terminated in accordance with the agreement. The Company may terminate without cause at any time by giving six months' written notice, whilst the executive must provide three months' written notice of termination (unless breach or agreement by the Company). The agreement contains standard clauses on immediate termination for breach of contract or misconduct.
- Annual salary of \$220,000 (plus 9.5% statutory superannuation), plus the provision of income protection insurance. Mr Brown's salary is reviewed on an annual basis.
- There is no provision for the payment of termination benefits by the Company, other than for accrued entitlements.

Share-based compensation

Options

Options are issued to key management personnel as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of key management personnel of Montezuma Mining Company Limited to increase goal congruence between key management personnel and shareholders. The following options were granted to or vesting with key management personnel during the year:

	Grant Date	Granted Number	Vesting Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Exercised Number	% of Remuneration
Directors								
Seamus Cornelius	02/12/2016	500,000	02/12/2016	24/11/2021	20.0	4.1	N/A	24.3
Seamus Cornelius	30/11/2012	750,000	(1)	30/11/2017	38.0	7.7	N/A	(1)
Justin Brown	02/12/2016	1,000,000	02/12/2016	24/11/2021	20.0	4.1	N/A	14.2
Justin Brown	30/11/2012	1,500,000	(1)	30/11/2017	38.0	7.7	N/A	(1)
John Ribbons	02/12/2016	500,000	02/12/2016	24/11/2021	20.0	4.1	N/A	31.0
John Ribbons	30/11/2012	750,000	(1)	30/11/2017	38.0	7.7	N/A	(1)

(1) These options have a market vesting condition, such that they will vest once the market capitalisation of the Company appreciates 100% from 30 November 2012. The expense was recognised in full at grant date.

There were no ordinary shares in the Company provided as a result of the exercise of remuneration options during the year.

Directors' Report continued

Equity instruments held by key management personnel

Share holdings

The numbers of shares in the Company held during the financial year by each director of Montezuma Mining Company Limited and other key management personnel of the Group, including their personally related parties, and any nominally held, are set out below. There were no shares granted during the reporting period as compensation.

2017

	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
Directors of Montezuma Mining Company Limited				
Ordinary shares				
Seamus Cornelius	3,064,225	-	200,000	3,264,225
Justin Brown	4,112,500	-	200,000	4,312,500
John Ribbons	500,000	-	-	500,000

Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of Montezuma Mining Company Limited and other key management personnel of the Company, including their personally related parties, are set out below:

2017

	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Montezuma Mining Company Limited							
Seamus Cornelius	3,250,000	500,000	-	(750,000)	3,000,000	2,250,000	750,000
Justin Brown	6,250,000	1,000,000	-	(1,500,000)	5,750,000	4,250,000	1,500,000
John Ribbons	3,250,000	500,000	-	(750,000)	3,000,000	2,250,000	750,000

All vested options are exercisable at the end of the year.

Loans to key management personnel

There were no loans to key management personnel during the year.

End of audited Remuneration Report

DIRECTORS' MEETINGS

During the year the Company held eight meetings of directors. The attendance of directors at meetings of the board were:

	Directors Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B
Seamus Cornelius	7	8	1	2	1	1
Justin Brown	8	8	2	2	*	*
John Ribbons	8	8	2	2	1	1

Notes

A - Number of meetings attended.

B - Number of meetings held during the time the director held office during the year.

* - Not a member of the Remuneration Committee

Directors' Report continued

SHARES UNDER OPTION

Unissued ordinary shares of Montezuma Mining Company Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Exercise price (cents)	Number of options
2 December 2016	24 November 2021	20	2,000,000
2 December 2016	2 December 2019	22	200,000
2 December 2016	2 December 2019	30	200,000
22 August 2016	22 August 2020	30	2,000,000
20 June 2016	17 June 2019	30	250,000
30 November 2015	20 November 2018	35	200,000
20 November 2015	20 November 2020	35	2,200,000
22 October 2015	22 October 2018	32	250,000
6 March 2015	31 January 2018	34	150,000
18 November 2014	18 November 2019	21.5	2,750,000
19 November 2013	19 November 2018	20	2,000,000
30 November 2012	30 November 2017	38	3,000,000
Total number of options outstanding at the date of this report			15,200,000

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, Montezuma Mining Company Limited paid a premium of \$9,836 to insure the directors of the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

NON-AUDIT SERVICES

There were no non-audit services provided by the entity's auditor, Rothsay Chartered Accountants, or associated entities, during the year.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 35.

Signed in accordance with a resolution of the directors.



Justin Brown

Executive Director

Perth, 27 September 2017



Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9486 7094 www.rothsayresources.com.au

The Directors
Montezuma Mining Company Ltd
Suite 2, 11 Ventnor Ave
West Perth WA 005

Dear Sirs

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 30 June 2017 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham R Swan FCA (Lead auditor)

Rothsay Auditing

Dated 27/9/2017



Chartered Accountants

Corporate Governance Statement

Montezuma Mining Company Limited and the Board are committed to achieving and demonstrating the highest standards of corporate governance. Montezuma Mining Company Limited has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2017 Corporate Governance Statement was approved by the Board on 27 September 2017 and is current as at 27 September 2017. A description of the Group's current corporate governance practices is set out in the Group's Corporate Governance Statement which can be viewed at www.montezuma.com.au.

Consolidated Statement of Comprehensive Income

YEAR ENDED 30 JUNE 2017

	Notes	Consolidated	
		2017	2016
		\$	\$
REVENUE	4	103,111	132,277
Other income	5	3,077,166	1,650,262
EXPENDITURE			
Administration expenses		(337,388)	(328,169)
Depreciation expense		(16,791)	(32,965)
Exploration expenditure		(1,492,785)	(1,928,852)
Salaries and employee benefits expense		(112,067)	(117,271)
Secretarial and share registry expenses		(133,390)	(116,261)
Share based payment expense	24(b)	(87,631)	(293,360)
PROFIT/(LOSS) BEFORE INCOME TAX		1,000,225	(1,034,339)
INCOME TAX EXPENSE	7	-	-
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF MONTEZUMA MINING COMPANY LIMITED		1,000,225	(1,034,339)
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		2,492	(15,372)
Other comprehensive income for the year, net of tax		2,492	(15,372)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF MONTEZUMA MINING COMPANY LIMITED		1,002,717	(1,049,711)
EARNINGS/(LOSS) PER SHARE FOR PROFIT/(LOSS) ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted earnings/(loss) per share (cents per share)	23	1.2	(1.5)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Financial Position

AT 30 JUNE 2017

	Notes	Consolidated	
		2017	2016
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	8	4,175,060	3,692,673
Trade and other receivables	9	35,410	154,891
Financial assets at fair value through profit or loss	10	7,253,475	4,499,127
TOTAL CURRENT ASSETS		11,463,945	8,346,691
NON-CURRENT ASSETS			
Plant and equipment	11	-	16,791
TOTAL NON-CURRENT ASSETS		-	16,791
TOTAL ASSETS		11,463,945	8,363,482
CURRENT LIABILITIES			
Trade and other payables	12	213,122	287,907
TOTAL CURRENT LIABILITIES		213,122	287,907
TOTAL LIABILITIES		213,122	287,907
NET ASSETS		11,250,823	8,075,575
EQUITY			
Issued capital	13	14,351,850	12,353,350
Reserves	14	3,419,167	3,242,644
Accumulated losses		(6,520,194)	(7,520,419)
TOTAL EQUITY		11,250,823	8,075,575

The above Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

YEAR ENDED 30 JUNE 2017

	Notes	Contributed Equity \$	Share-Based Payments Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
Consolidated						
BALANCE AT 1 JULY 2015		12,353,350	2,971,802	(7,146)	(6,486,080)	8,831,926
Loss for the year		-	-	-	(1,034,339)	(1,034,339)
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations		-	-	(15,372)	-	(15,372)
TOTAL COMPREHENSIVE LOSS		-	-	(15,372)	(1,034,339)	(1,049,711)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Employee and consultant share-based payments	24(b)	-	293,360	-	-	293,360
BALANCE AT 30 JUNE 2016		12,353,350	3,265,162	(22,518)	(7,520,419)	8,075,575
Profit for the year		-	-	-	1,000,225	1,000,225
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations		-	-	2,492	-	2,492
TOTAL COMPREHENSIVE INCOME		-	-	2,492	1,000,225	1,002,717
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the year	13(b)	2,210,000	-	-	-	2,210,000
Share issue transaction costs	13(b)	(211,500)	86,400	-	-	(125,100)
Employee and consultant share-based payments	24(b)	-	87,631	-	-	87,631
BALANCE AT 30 JUNE 2017		14,351,850	3,439,193	(20,026)	(6,520,194)	11,250,823

The above Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

YEAR ENDED 30 JUNE 2017

	Notes	Consolidated	
		2017	2016
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(502,481)	(572,012)
Interest received		115,926	134,530
Proceeds on sale of mining interests		64,465	-
Expenditure on mining interests		(1,588,497)	(1,834,605)
Proceeds from disposal of financial assets at fair value through profit or loss		308,353	347,494
Payments for financial assets at fair value through profit or loss		-	(1,087,568)
Research and development incentive grant received		-	27,871
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	22	(1,602,234)	(2,984,290)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares		2,210,000	-
Payments for share issue transaction costs		(125,100)	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		2,084,900	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		482,666	(2,984,290)
Cash and cash equivalents at the beginning of the financial year		3,692,673	6,674,413
Effects of exchange rate changes on cash and cash equivalents		(279)	2,550
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	8	4,175,060	3,692,673

The above Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

30 JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Montezuma Mining Company Limited and its subsidiaries. The financial statements are presented in the Australian currency. Montezuma Mining Company Limited is a company limited by shares, domiciled and incorporated in Australia. The financial statements were authorised for issue by the directors on 27 September 2017. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Montezuma Mining Company Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of the Montezuma Mining Company Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Group

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial year.

(iii) Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which have been measured at fair value.

(b) Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

(ii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Montezuma Mining Company Limited.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly controlled entity or associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Notes to the Consolidated Financial Statements continued

30 JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the full Board of Directors.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Montezuma Mining Company Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. They are deferred in equity if they are attributable to part of the net investment in a foreign operation.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless that is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

(f) Government grants

The Research and Development Tax Incentive Grant received from the Australian Taxation Office is recognised in profit or loss in the period in which it becomes receivable, with the amount included in other income.

(g) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associated operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Notes to the Consolidated Financial Statements continued

30 JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(h) Leases

Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases (note 18). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(j) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

(k) Trade and other receivables

Receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

(l) Investments and other financial assets

Classification

The Company classifies its investments in the following categories: financial assets at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Notes to the Consolidated Financial Statements continued

30 JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables are carried at amortised cost using the effective interest method.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of revenue from continuing operations when the Group's right to receive payments is established.

Details on how the fair value of financial investments is determined are disclosed in note 2.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(m) Plant and equipment

All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of comprehensive income during the reporting period in which they are incurred.

Depreciation of plant and equipment is calculated using the reducing balance method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term. The rates vary between 20% and 40% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income. When revalued assets are sold, it is Company policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(n) Exploration and evaluation costs

Exploration and evaluation costs are written off in the year they are incurred.

Notes to the Consolidated Financial Statements continued

30 JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured, non-interest bearing and are paid on normal commercial terms.

(p) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Share-based payments

The Company provides benefits to employees (including directors) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'), refer to note 24.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options that, in the opinion of the directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

(q) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(r) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(s) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Notes to the Consolidated Financial Statements continued

30 JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below. New standards and interpretations not mentioned are considered unlikely to impact on the financial reporting of the Group.

AASB 9 Financial Instruments (applicable for annual reporting periods commencing on or after 1 January 2018).

AASB 9 (December 2014) is a new Principal standard which replaces AASB 139. This new Principal version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments.

The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a timelier basis.

Amendments to AASB 9 (December 2009 & 2010 editions) (AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.

AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139.

The main changes are described below.

- a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.
- b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
 - The change attributable to changes in credit risk are presented in other comprehensive income (OCI)
 - The remaining change is presented in profit or loss

AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.

AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in December 2014.

AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on or after 1 January 2015.

Based on the financial assets and liabilities currently held, the Group does not anticipate any impact on the financial statements upon adoption of this standard. The Group does not presently engage in hedge accounting.

AASB 15 Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2017).

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*, which replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations (IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue-Barter Transactions Involving Advertising Services*). The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- a) Step 1: Identify the contract(s) with a customer
- b) Step 2: Identify the performance obligations in the contract
- c) Step 3: Determine the transaction price
- d) Step 4: Allocate the transaction price to the performance obligations in the contract
- e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Notes to the Consolidated Financial Statements continued

30 JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Early application of this standard is permitted. AASB 2014-5 incorporates the consequential amendments to a number of Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.

There will be no impact on the Group's financial position or performance.

AASB 16 Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

The key features of AASB 16 are as follows:

Lessee accounting

- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
- A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.
- Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonable certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.
- IFRS 16 contains disclosure requirements for lessees.

Lessor accounting

- AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
- AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted, provided the new revenue standard, AASB 15 *Revenue from Contracts with Customers*, has been applied, or is applied at the same date as AASB 16.

The effect of this amendment on the Group's financial statements has yet to be determined.

None of the other amendments or Interpretations are expected to affect the accounting policies of the Group.

(u) Critical accounting judgements, estimates and assumptions

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Share based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in note 24.

Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the Group's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

Taxation

Balances disclosed in the financial statements and the notes thereto related to taxation are based on the best estimates of the directors. These estimates take into account both the financial performance and position of the Group as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

Notes to the Consolidated Financial Statements continued

30 JUNE 2017

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the full board of directors as the Group believes that it is crucial for all board members to be involved in this process. The executive director, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the board on risk management.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The Group has not formalised a foreign currency risk management policy however, it monitors its foreign currency expenditure in light of exchange rate movements.

The functional currency of the French subsidiary company is the Euro. All parent entity balances are in Australian dollars and all Group balances are in either Australian dollars or Euro, so the Group does not have any exposure to foreign currency risk at the reporting date (2016: Nil exposure).

(ii) Price risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified in the statement of financial position as financial assets at fair value through profit or loss. Given the current level of operations, the Group is not currently exposed to commodity price risk.

The Group's equity investments are publicly traded on the ASX, with the investments being made for strategic purposes identified by the Board of Directors. The price risk is monitored by the Board and evaluated in accordance with these strategic outcomes.

Sensitivity analysis

At 30 June 2017, if the value of the equity instruments held had increased/decreased by 15% with all other variables held constant, post-tax profit for the Group would have been \$1,088,021 higher/lower, with no changes to other equity balances, as a result of gains/losses on equity securities classified as financial assets at fair value through profit or loss (2016: \$674,869 lower/higher post-tax loss).

(iii) Interest rate risk

The Group is exposed to movements in market interest rates on cash and cash equivalents. The Group policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents for the Group \$4,0175,060 (2016: \$3,692,673) is subject to interest rate risk. The proportional mix of floating interest rates and fixed rates to a maximum of six months fluctuate during the year depending on current working capital requirements. The weighted average interest rate received on cash and cash equivalents by the Group was 2.3% (2016: 2.5%).

Sensitivity analysis

At 30 June 2017, if interest rates had changed by +/- 100 basis points from the weighted average rate for the year with all other variables held constant, post-tax profit for the Group would have been \$45,601 higher/lower (2016: \$53,449 lower/higher post-tax loss) as a result of higher/lower interest income from cash and cash equivalents.

(b) Credit risk

The Group does not have any significant concentrations of credit risk. The maximum exposure to credit risk at balance date is the carrying amount (net of provision for impairment) of those assets as disclosed in the statement of financial position and notes to the financial statements.

As the Group does not presently have any debtors, lending, significant stock levels or any other credit risk, a formal credit risk management policy is not maintained.

(c) Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Group are confined to trade and other payables as disclosed in the Statement of financial position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

Notes to the Consolidated Financial Statements continued

30 JUNE 2017

2. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Group at the balance date are recorded at amounts approximating their carrying amount. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

3. SEGMENT INFORMATION

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group is managed primarily on the basis of geographic location of assets given that the type of work done in each location is of a similar nature. Operating segments are therefore determined on this basis, with two segments being identified: Australia; and France.

The activities undertaken in each segment are those associated with the determination and assessment of the existence of commercial economic reserves, from the Group's mineral assets in the respective geographic location.

Segment performance is evaluated based on the operating profit and loss and cash flows and is measured in accordance with the Group's accounting policies.

	Australia		France		Total	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
Segment revenue	-	-	-	-	-	-
Reconciliation of segment revenue to total revenue before tax:						
Interest revenue					103,111	132,277
Total revenue					103,111	132,277
Segment results	(494,731)	(1,847,403)	(93,589)	(81,449)	(588,320)	(1,928,852)
Reconciliation of segment result to net loss before tax:						
Interest revenue					103,111	132,277
Other income					2,172,701	1,650,262
Other corporate and administration					(687,267)	(888,026)
Net profit/(loss) before tax					1,000,225	(1,034,339)
Segment operating assets	-	-	-	-	-	-
Reconciliation of segment operating assets to total assets:						
Other corporate and administration assets					11,463,945	8,363,482
Total assets					11,463,945	8,363,482

4. REVENUE

	Consolidated	
	2017	2016
	\$	\$
From continuing operations		
Other revenue		
Interest	103,111	132,277

Notes to the Consolidated Financial Statements continued

30 JUNE 2017

	Consolidated	
	2017	2016
	\$	\$
5. OTHER INCOME		
Net gain on sale of mining interests	904,465	-
Research and development incentive grant	-	27,871
Net foreign exchange gains	-	4,677
Fair value gains on financial assets at fair value through profit or loss	2,172,701	1,567,714
Consultancy fees	-	50,000
	3,077,166	1,650,262
6. EXPENSES		
Profit or loss before income tax includes the following specific expenses:		
Minimum lease payments relating to operating leases	312,232	327,364
Defined contribution superannuation expense	49,064	33,060
7. INCOME TAX		
(a) Income tax benefit		
Current tax	-	-
Deferred tax	-	-
	-	-
(b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable		
Profit/(loss) from continuing operations before income tax expense	1,000,225	(1,034,339)
Prima facie tax expense/(benefit) at the Australian tax rate of 27.5% (2016: 28.5%)	275,062	(294,787)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	24,099	83,608
Research and development incentive grant	-	(7,943)
Other	24,708	(1,333)
	323,869	(220,455)
Movements in unrecognised temporary differences	(598,071)	(515,985)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	274,202	736,440
Income tax expense/(benefit)	-	-
(c) Unrecognised temporary differences		
Deferred Tax Assets at 27.5% (2016: 28.5%)		
<i>On Income Tax Account</i>		
Capital raising expenses	29,036	-
Accruals and provisions	31,368	52,793
Carry forward tax losses	1,435,369	1,312,399
	1,495,773	1,365,192
Deferred Tax Liabilities at 27.5% (2016: 28.5%)		
Financial assets at fair value through profit or loss	1,157,506	325,457
Accrued income	35	3,688
	1,157,541	329,145

Net deferred tax assets were not brought to account as it was not considered probable within the immediate future that tax profits would be available against which deductible temporary differences and tax losses could be utilised.

The Group's ability to use losses in the future is subject to each Group company satisfying the relevant tax authority's criteria for using these losses.

During 2017 the Australian government enacted a change in the income tax rate for small business entities from 28.5% to 27.5%. Montezuma Mining Company Limited satisfies the criteria to be a small business entity.

Notes to the Consolidated Financial Statements continued

30 JUNE 2017

Consolidated

	2017 \$	2016 \$
8. CURRENT ASSETS - CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	271,353	351,073
Short-term deposits	3,903,707	3,341,600
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	4,175,060	3,692,673

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

9. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

Sundry receivables	27,215	122,888
Prepayments	8,195	32,003
	35,410	154,891

10. CURRENT ASSETS - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Australian listed equity securities	7,253,475	4,499,127
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The market value of all equity investments represent the fair value based on quoted prices on active markets (ASX) as at the reporting date without any deduction for transaction costs. These investments are classified as Level 1 financial instruments. There have been no transfers between levels of the fair value hierarchy used in measuring the fair value of these financial instruments, or changes in its classification as a result of a change in the purpose or use of these assets.

Changes in fair values of financial assets at fair value through profit or loss are recorded in other income or other expenses in the statement of comprehensive income (notes 5 and 6 respectively).

11. NON-CURRENT ASSETS - PLANT AND EQUIPMENT

Plant and equipment

Cost	145,156	145,156
Accumulated depreciation	(145,156)	(128,365)
Net book amount	-	16,791

Movements:

Opening net book amount	16,791	49,756
Depreciation charge	(16,791)	(32,965)
Closing net book amount	-	16,791

12. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

Trade payables	57,978	86,392
Other payables and accruals	155,144	201,515
	213,122	287,907

13. ISSUED CAPITAL

		2017		2016	
	Notes	Number of shares	\$	Number of shares	\$
(a) Share capital					
Ordinary shares fully paid	13(b), 13(d)	83,464,350	14,351,850	70,464,350	12,353,350
Total issued capital		83,464,350	14,351,850	70,464,350	12,353,350

Notes to the Consolidated Financial Statements continued

30 JUNE 2017

13. ISSUED CAPITAL (cont'd)

Notes	2017		2016	
	Number of shares	\$	Number of shares	\$
(b) Movements in ordinary share capital				
Beginning of the financial year	70,464,350	12,353,350	70,464,350	12,353,350
Issued during the year:				
– Issued for cash at 17 cents per share	13,000,000	2,210,000	-	-
Transaction costs incurred	-	(211,500)	-	-
End of the financial year	83,464,350	14,351,850	70,464,350	12,353,350

(c) Movements in options on issue

	Number of options	
	2017	2016
Beginning of the financial year	18,320,000	18,745,000
Issued during the year:		
– Exercisable at 20 cents, on or before 24 November 2021	2,000,000	-
– Exercisable at 22 cents, on or before 2 December 2019	200,000	-
– Exercisable at 27.5 cents, on or before 15 September 2017	-	500,000
– Exercisable at 30 cents, on or before 17 June 2019	-	250,000
– Exercisable at 30 cents, on or before 2 December 2019	200,000	-
– Exercisable at 30 cents, on or before 22 August 2020	2,000,000	-
– Exercisable at 32 cents, on or before 22 October 2018	-	250,000
– Exercisable at 35 cents, on or before 20 November 2018	-	200,000
– Exercisable at 35 cents, on or before 20 November 2020	-	2,200,000
Expired during the year:		
– On 30 July 2016, exercisable at 20 cents	(1,020,000)	-
– On 30 June 2017, exercisable at 20 cents	(1,000,000)	-
– On 14 January 2016, exercisable at 27.5 cents	-	(1,000,000)
– On 30 July 2016, exercisable at 30 cents	(1,000,000)	-
– On 30 November 2016, exercisable at 32.5 cents	(3,000,000)	-
– On 21 October 2015, exercisable at 41 cents	-	(325,000)
– On 30 November 2015, exercisable at 65 cents	-	(1,000,000)
– On 30 November 2015, exercisable at 80 cents	-	(1,500,000)
End of the financial year	16,700,000	18,320,000

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(e) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Group at 30 June 2017 and 30 June 2016 are as follows:

Notes to the Consolidated Financial Statements continued

30 JUNE 2017

Consolidated

	2017 \$	2016 \$
13. ISSUED CAPITAL (cont'd)		
Cash and cash equivalents	4,175,060	3,692,673
Trade and other receivables	35,410	154,891
Financial assets at fair value through profit or loss	7,253,475	4,499,127
Trade and other payables	(213,122)	(287,907)
Working capital position	<u>11,250,823</u>	<u>8,058,784</u>

14. RESERVES AND RETAINED EARNINGS

(a) Reserves

Foreign currency translation reserve	(20,026)	(22,518)
Share-based payments reserve	<u>3,439,193</u>	<u>3,265,162</u>
	<u>3,419,167</u>	<u>3,242,644</u>

(c) Nature and purpose of reserves

(i) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(d) and accumulated within a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(ii) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options and performance rights granted.

15. DIVIDENDS

No dividends were paid during the financial year. No recommendation for payment of dividends has been made.

16. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

Audit services

Rothsay Chartered Accountants - audit and review of financial reports	34,500	34,500
Total remuneration for audit services	<u>34,500</u>	<u>34,500</u>

17. CONTINGENCIES

There are no material contingent liabilities or contingent assets of the Company at balance date.

18. COMMITMENTS

(a) Exploration commitments

The Company has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in. Outstanding exploration commitments are as follows:

within one year	621,000	521,000
later than one year but not later than five years	<u>1,492,000</u>	<u>1,347,000</u>
	<u>2,113,000</u>	<u>1,868,000</u>

Notes to the Consolidated Financial Statements continued

30 JUNE 2017

Consolidated

2017
\$2016
\$

18. COMMITMENTS (cont'd)

(b) Lease commitments: Group as lessee

Operating leases (non-cancellable):

Minimum lease payments

within one year

115,200

233,597

later than one year but not later than five years

115,200

-

Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities

230,400

233,597

The property lease is a non-cancellable lease with a two-year term, with rent payable monthly in advance. The lease allows for subletting of all lease areas subject to permission from the lessor. The Company has obtained permission from the lessor and entered into a sublet arrangement for the entire two-year term of the lease amounting to 50% of the commitment noted above.

19. RELATED PARTY TRANSACTIONS

(a) Parent entity

The ultimate parent entity within the Group is Montezuma Mining Company Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 20.

(c) Key management personnel compensation

Short-term benefits

333,127

274,074

Post-employment benefits

20,827

17,100

Other long-term benefits

-

-

Termination benefits

-

-

Share-based payments

81,200

207,000

435,154

498,174

Detailed remuneration disclosures are provided in the remuneration report on pages 31 to 33.

(d) Loans to related parties

There were no loans to related parties, including key management personnel, during the year.

20. SUBSIDIARY

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name	Country of Incorporation	Class of Shares	Equity Holding ⁽¹⁾	
			2017 %	2016 %
Cordier Mines SAS	France	Ordinary	100	100

(1) The proportion of ownership interest is equal to the proportion of voting power held.

21. EVENTS OCCURRING AFTER THE STATEMENT OF FINANCIAL POSITION DATE

No matter or circumstance has arisen since 30 June 2017, which has significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years.

Notes to the Consolidated Financial Statements continued

30 JUNE 2017

Consolidated

2017
\$

2016
\$

22. CASH FLOW INFORMATION

Reconciliation of profit/(loss) after income tax to net cash outflow from operating activities

Profit/(loss) for the year 1,000,225 (1,034,339)

Non-Cash Items

Depreciation of non-current assets 16,791 32,965

Loss on disposal of plant and equipment -

Employee and consultants share-based payments 87,631 293,360

Net exchange differences 2,694 (19,277)

Change in operating assets and liabilities

Decrease/(increase) in trade and other receivables 119,454 (8,302)

(Increase) in financial assets at fair value through profit or loss (2,754,348) (2,307,788)

(Decrease)/increase in trade and other payables (74,681) 59,091

Net cash outflow from operating activities (1,602,234) (2,984,290)

23. EARNINGS PER SHARE

(a) Reconciliation of earnings used in calculating earnings/(loss) per share

Profit/(loss) attributable to the owners of the Company used in calculating basic and diluted earnings/(loss) per share 1,000,225 (1,034,339)

Number of shares
2017
Number of shares
2016

(b) Weighted average number of shares used as the denominator

Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings/(loss) per share 81,932,843 70,464,350

(c) Information on the classification of options

For the year ended 30 June 2017, all options on issue were anti-dilutive as the various exercise prices were all greater than the average market price of the Company's shares during the year. This has resulted in the diluted earnings per share being the same as the basic earnings per share. The options currently on issue could potentially dilute basic earnings per share in the future.

As the Group made a loss for the year ended 30 June 2016, the options on issue were considered anti-dilutive and were not included in the calculation of diluted earnings per share.

Notes to the Consolidated Financial Statements continued

30 JUNE 2017

24. SHARE-BASED PAYMENTS

(a) Employees and Contractors Options

The Company provides benefits to employees (including directors) and contractors of the Company in the form of share-based payment transactions, whereby employees render services in exchange for options to acquire ordinary shares. The exercise price of the options granted range from 20 cents to 38 cents per option. The options granted have expiry dates ranging from 30 July 2017 to 24 November 2021.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company with full dividend and voting rights.

Fair value of options granted

The weighted average fair value of the options granted during the year was 4.0 cents (2016: 8.7 cents). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2017	2016
Weighted average exercise price (cents)	25.1	33.3
Weighted average life of the option (years)	4.36	4.15
Weighted average underlying share price (cents)	14.8	25.6
Expected share price volatility	50%	50%
Risk free interest rate	2.11%	2.17%

Historical volatility has been used as the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

Set out below is a summary of the share-based payment options granted:

	2017		2016	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	18,320,000	28.4	18,745,000	33.7
Granted	4,400,000	25.1	3,400,000	33.3
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	(6,020,000)	27.9	(3,825,000)	57.7
Outstanding at year-end	16,700,000	27.7	18,320,000	28.4
Exercisable at year-end	14,700,000	25.4	15,320,000	26.5

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 2.1 years (2016: 1.8 years), and the exercise prices range from 20 cents to 38 cents.

(b) Expenses arising from share-based payment transactions

	Consolidated	
	2017	2016
	\$	\$
Total expenses arising from share-based payment transactions recognised during the period were as follows:		
Options granted to employees and contractors expensed to profit or loss	87,631	293,360
Options granted to contractors included in share issue transaction costs	86,400	-
	174,031	293,360

Notes to the Consolidated Financial Statements continued

30 JUNE 2017

Parent Entity

2017
\$

2016
\$

25. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Montezuma Mining Company Limited, at 30 June 2017. The information presented here has been prepared using accounting policies consistent with those presented in note 1.

Current assets	11,436,378	8,302,623
Non-current assets	-	16,791
Total assets	11,436,378	8,319,414
Current liabilities	201,744	272,919
Total liabilities	201,744	272,919
Issued capital	14,351,850	12,353,350
Share-based payments reserve	3,439,193	3,265,162
Accumulated losses	(6,556,409)	(7,572,017)
Total equity	11,234,634	8,046,495
Profit/(loss) for the year	1,015,608	(960,197)
Total comprehensive income/(loss) for the year	1,015,608	(960,197)

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 37 to 57 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its performance for the financial year ended on that date;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) a statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in the notes to the financial statements.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



Justin Brown
Executive Director

Perth, 27 September 2017



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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF MONTEZUMA MINING COMPANY LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Montezuma Mining Company Limited ("the Company") and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended on that date and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration of the Company.

In our opinion the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under these standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of this report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

Cash and listed investments

The Group's portfolio of cash and financial assets at fair value make up 99% of total assets by value and are considered to be the key driver of the Group's operations. We do not consider cash and financial assets at fair value to be at a high risk of significant misstatement or to be subject to a significant level of judgement.



Chartered Accountants



However due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall strategy and allocation of resources in planning and completing our audit.

Our procedures over the existence, completeness and valuation of the Group's portfolio of cash and financial assets at fair value included but were not limited to:

- Documenting and assessing the processes and controls in place to record transactions and to value the assets;
- Agreeing the fair value of the listed investments to externally quoted prices, which was the current bid price;
- Agreeing cash and holdings in financial assets at fair value to independent third party confirmations.

We have also assessed the appropriateness of the disclosures included in Notes 1, 8 and 10 to the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work we have performed we conclude there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.



Chartered Accountants



Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/Home.aspx

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe those matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2017.

In our opinion the remuneration report of Montezuma Mining Company Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Rothsay Auditing

**Graham Swan FCA
Partner**

Dated 27 September 2017



Chartered Accountants

ASX Additional Information

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 11 September 2017.

(a) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

		Ordinary shares	
		Number of holders	Number of shares
1	- 1,000	57	14,467
1,001	- 5,000	134	419,343
5,001	- 10,000	117	1,013,503
10,001	- 100,000	269	9,521,863
100,001	and over	77	72,495,174
		654	83,464,350
The number of equity security holders holding less than a marketable parcel of securities are:		136	194,367

(b) Twenty largest shareholders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted ordinary shares are:

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
1	J P Morgan Nominees Australia Ltd	9,449,134	11.32
2	Ranguta Ltd	6,994,725	8.38
3	Alpha Boxer Ltd	5,388,291	6.46
4	Duketon Mining Ltd	5,382,500	6.45
5	Aradia Ventures Pty Ltd <J & A Brown Family A/C>	4,137,500	4.96
6	Duketon Consolidated Pty Ltd	3,186,997	3.82
7	Richard George Reading	3,075,000	3.68
8	Austrade Holdings Pty Ltd	2,720,000	3.26
9	Dane Pastoral Co Pty Ltd	2,428,385	2.91
10	Jacobus Gerardus De Jong	2,055,805	2.46
11	Julie Avontis	1,505,926	1.80
12	Avania Nominees Pty Ltd	1,500,000	1.80
13	Kongming Investments Ltd	1,297,018	1.55
14	HSBC Custody Nominees Australia Ltd	1,205,274	1.44
15	Mandies Meats Pty Ltd	1,151,796	1.38
16	Dongarra Ltd	1,046,252	1.25
17	5150 Capital Pty Ltd	986,881	1.18
18	Seamus Cornelius	962,815	1.15
19	Citicorp Nominees Pty Ltd	930,860	1.12
20	Sino West Assets Ltd	885,398	1.06
		56,290,557	67.43

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

	Number of Shares
Duketon Mining Limited	5,382,500
Marcel Mandanici	4,699,935
Justin Brown	4,112,500

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

ASX Additional Information continued

(e) Schedule of interests in mining tenements

Location	Tenement	Percentage held / earning
Eelya Hill	E20/0659	10
Yallon Well	E20/0903	100
Sunday Well	E20/0922	100
McCaskill Hill	E20/0923	100
Green Dam	E28/2313	100
Green Dam	E28/2327	100
Pinnacles	E28/2577	100
Pinnacles	E28/2688	100
Pinnacles East	E28/2701	100
Leonora	E37/1176	100
Leonora	E37/1295	100
Malle Hen Point	E38/2889	100
Mt Venn	E38/2961	100
Point Sunday	E38/3092	100
Mt Maitland	E51/1781	100
Mt Padbury	E52/1529	100 ⁽¹⁾
Butcher Bird	E52/2350	100
Millidie Creek	E52/2831	100
Mt Padbury	E52/3082	100
Peak Hill	E52/3354	100
Butcher Bird	E52/3470	100
Butcher Bird	E52/3493	100
Victory Well	E57/1060	100
Naluthanna Hill	E58/0494	100
Twin Peaks	E59/2184	100
Milgoo Peak	E59/2246	100
Twin Peaks	E59/2267	100
Lake Johnstone	E63/1750	100
Lake Johnstone	E63/1789	100
Lake Johnstone	E63/1838	100
Cunyu	E69/3478	100
Glover Hill	E69/3491	100
Holleton West	E70/4994	100
Holleton	E77/2334	100
Holleton	E77/2458	100
Eileen Bore	E80/5056	100
Cummins Range	E80/5092	100

(1) 100% interest held in all minerals other than iron ore and manganese.

(f) Unquoted Securities

At 27 September 2017, the Company had the following unlisted securities on issue:

Class	Number of Securities	Number of Holders	Holders of 20% or more of the class	
			Holder Name	Number of Securities
Unlisted \$0.20 Options, Expiry 19 November 2018	2,000,000	3	Aradia Ventures Pty Ltd	1,000,000
			Kongming Investments Ltd	500,000
			Antoinette Janet Ribbons	500,000
Unlisted \$0.20 Options, Expiry 24 November 2021	2,000,000	3	Aradia Ventures Pty Ltd	1,000,000
			Seamus Cornelius	500,000
			Antoinette Janet Ribbons	500,000
Unlisted \$0.215 Options, Expiry 18 November 2019	2,750,000	3	Aradia Ventures Pty Ltd	1,250,000
			Kongming Investments Ltd	750,000
			Antoinette Janet Ribbons	750,000
Unlisted \$0.22 Options, Expiry 2 December 2019	200,000	1	Jane Abigail O'Neill	200,000
Unlisted \$0.30 Options, Expiry 17 June 2019	250,000	1	Christian Wirth	250,000
Unlisted \$0.30 Options, Expiry 2 December 2019	200,000	1	Jane Abigail O'Neill	200,000

ASX Additional Information continued

Class	Number of Securities	Number of Holders	Holders of 20% or more of the class	
			Holder Name	Number of Securities
Unlisted \$0.30 Options, Expiry 22 August 2020	2,000,000	3	Zenix Nominees Pty Ltd	1,000,000
			Francis Harper	500,000
			JSR Nominees Pty Ltd	500,000
			<Richardson Family A/C>	
Unlisted \$0.32 Options, Expiry 22 October 2018	250,000	2	Bradley Drabsch	200,000
			Hannes Huster	50,000
Unlisted \$0.34 Options, Expiry 31 January 2018	150,000	1	Bradley Drabsch	150,000
Unlisted \$0.35 Options, Expiry 20 November 2018	200,000	1	Michael Ashley Giles	200,000
Unlisted \$0.35 Options, Expiry 20 November 2020	2,200,000	4	Aradia Ventures Pty Ltd	1,000,000
			Seamus Cornelius	500,000
			Antoinette Janet Ribbons	500,000
Unlisted \$0.38 Options, Expiry 30 November 2017	3,000,000	3	Aradia Ventures Pty Ltd	1,500,000
			Kongming Investments Ltd	750,000
			Antoinette Janet Ribbons	750,000